Dutch State Treasury Agency
Ministry of Finance

Outlook 2014



Outlook

2014

In the Netherlands, many beautiful buildings from the 17th century (or even earlier) have been well preserved. The architectural style in that era was highly decorative, as evidenced by the many elaborately decorated facades, while the thick walls and small windows underline the sturdiness and durability of the construction.
Modern times have placed new demands on buildings, cities and physical infrastructure. Modern architecture often aims to promote concepts such as environmental sustainability, social interaction, or ease of maintenance. These concepts are reflected in many of the buildings that have been erected in the Netherlands in more recent years.
In order to showcase the most interesting architecture through the centuries, many buildings from past eras have a protected status. This necessitates creativity on the part of city planners and modern architects, who need to work around the restrictions associated with such heritage buildings. This often leads to innovative outcomes. A centuries-old warehouse may be given a modern 'facelift' with a glass annex, which allows in more daylight to showcase a museum collection. The pictures in this Outlook show examples of such convergences of old and new elements in Dutch architecture.
Similarly, the Dutch economy is based on strong and durable fundamentals. A long history as a major international trading power has laid the groundwork for today's competitive, export-driven economy. Careful maintenance of these solid fundamentals, including measures to keep public finances sustainable and to equip new generations with skills which will help them succeed in the new economy, will ensure that the Netherlands continues to thrive in the modern world.

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Preface

Recently, we have seen some hopeful signs that the economic situation is improving. The Dutch economy halted its decline in the second quarter of this year, and GDP growth recorded a small plus in the third quarter. The unemployment rate edged slightly lower in October, there is some recovery of consumer confidence, and there are indications that the housing market is bottoming out. However, the experience of the world economy in 2011 serves as a reminder that green shoots can be very fragile.

For the DSTA, the past few years have been challenging. With a budget deficit and several interventions in the financial sector to fund, the borrowing requirement has been higher and less predictable than before, while market conditions have been more volatile. Nevertheless, the DSTA has maintained its strategy of predictability, consistency and transparency.

In 2014 we will again issue € 50 billion on the capital market. We will issue new benchmark bonds in the 3-, 5-, and 10-year maturity, as we have regularly done in the past. Our on-the-run 5-year DSL will be reopened to reach at least its benchmark size, and off-the-run DSLs will be reopened on two occasions. We will also issue a new 30-year bond, in line with our commitment to do so every four or five years.

Although we always aim to be as consistent as possible in our funding plan, the DSTA is continuously looking for opportunities to improve the way we fulfill our mandate. In this regard, we actively seek input from our Primary Dealers, Single Market Specialists, and investors. In 2013, we have made several changes to the incentives for PDs participating in Dutch Direct Auctions, which will be implemented in 2014. We will continue to monitor the efficiency of the DDA process.

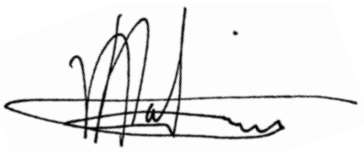
Furthermore, 2014 will be a year of internal 'renovation' for the DSTA as we will be upgrading our treasury management system. This ties in nicely with the photo theme of this Outlook, which shows how many centuries-old Dutch buildings have been modernised with recent state-of-the-art architectural additions so that they are fit to face the modern world. By engaging in regular internal maintenance, the DSTA, which was founded in 1841, will continue to be future-proof.

Finally, I want to use this opportunity to thank my predecessor, Erik Wilders. Erik was with the DSTA for 15 years, of which he served eight years as Agent. I wish him good luck in his new role at the WSW. In line with the DSTA's principles of predictability, consistency and transparency I hope to continue Erik's good work at the DSTA.



Photo: Andreas Terlaak

Niek Nahuis



Agent of the Dutch State Treasury Agency



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1 The economy, the budget and financial markets



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1.1

Economic outlook

In 2013, economic growth in the Netherlands lagged behind expectations and behind a number of other countries in the Euro Area. In general, the economic recovery has been weaker than was envisaged earlier. For 2014, the Netherlands Bureau for Economic Policy Analysis (CPB – the official and independent forecaster) projects an economic growth rate of 0.5%. The European Commission is somewhat more conservative, and expects growth of 0.2% of GDP. As has been the case in the past few years, private consumption continued to drag on growth in 2013, as average real disposable incomes have decreased. This development is expected to continue into 2014. Investment and government expenditures also contributed negatively to economic growth in 2013. The strong export sector has been the bright spot in previous years, and will continue to grow in 2013 and 2014.

The expectation of a return to growth in 2014 is supported by the recent data release by Statistics Netherlands (CBS), which showed a quarter-on-quarter GDP increase of 0.1% in the third quarter of 2013.

Table 1.1 – Key economic figures 2012-2014 (% changes, year-on-year)

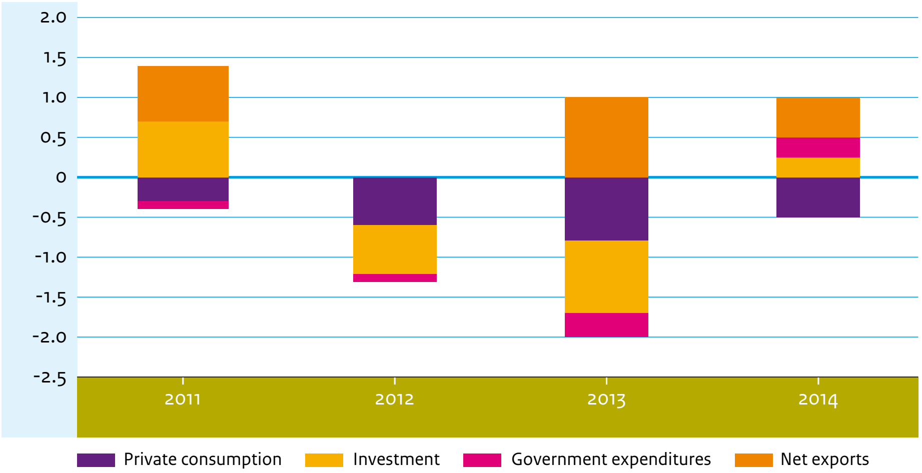
	2012	2013	2014
Gross Domestic Product	-1.2	-1.25	0.5
Private consumption	-1.6	-2.25	-0.75
Gross investments	-2.9	-11	2
Government expenditures	-0.8	-1	0.25
Exports	1.9	2.75	4.25
- of which produced domestically	0.7	1	3.5
- of which re-export	3	4.25	5
Imports	3.6	-0.25	4
Unemployment (% labour force)	5.3	7	7.5
Labour productivity	-1.6	-0.5	1.75
Inflation (CPI % change)	2.5	2.75	2
World trade	0.7	1.5	3.75

Source: CPB, October 2013 projections

The figures in the table above include the effects of the budgetary package agreed upon by the government in September, as well as the effects of the budgetary agreement reached with three opposition parties in October (for more details on the budgetary measures, please see chapter 1.2).

Historically, a return to growth for the Dutch economy after a recession begins with a recovery of the export sector, followed by an increase in investments, with a subsequent rise in private consumption solidifying the recovery. This multi-stage economic recovery sequence seems to be proceeding at the moment. Exports are performing strongly, and the European Commission foresees a return to positive growth of investments in 2014 and an increase in private consumption from 2015 onwards.

Figure 1.1 – Development of GDP components 2011-2014 (contribution to % change in GDP)



Source: CPB, September 2013 projections

Private consumption

As figure 1.1 shows, Dutch consumers have shown a relatively low propensity to spend in recent years. The weakness of consumer spending can be attributed to several factors. Real disposable incomes have been declining, as in many sectors wage increases have fallen below inflation, social security benefits have been pared back, and taxes have been increased. Although the unemployment rate remains low in a European context, it has been gradually increasing in recent years. Furthermore, the financial crisis has lauded an end to a decade of debt-fuelled growth in the Netherlands, where large increases in housing- and other asset prices led to high growth of consumer spending. As more households enter a situation of negative equity for their homes as a result of declining house prices, negative wealth effects have reduced consumers' willingness and/or ability to spend. There are, however, some signs that the housing market is stabilising (see further on in this chapter). Another positive sign is that consumer confidence has been increasing steadily in recent months. Data for October showed that, for the first time since May 2011, on aggregate consumers have positive expectations for future economic developments.

Investment

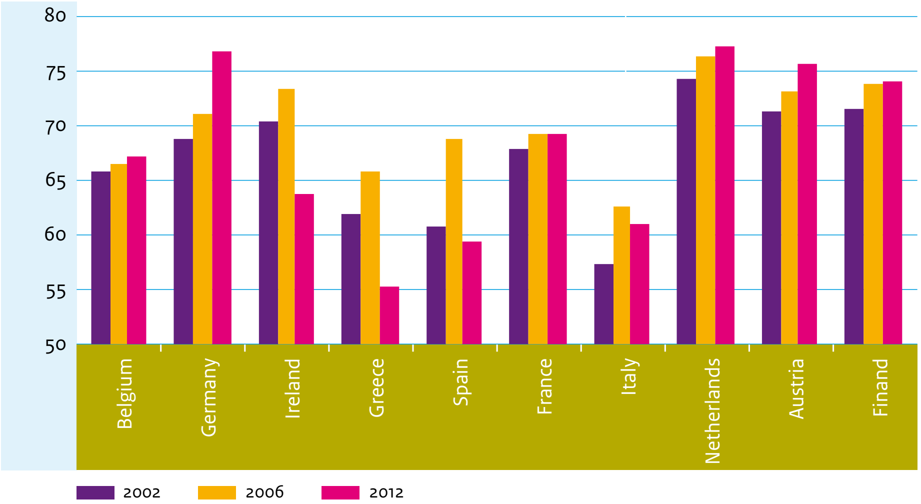
Historically, investments are the most volatile and least predictable component of GDP. This has been aptly illustrated by the performance of this component in 2013: while a positive growth rate of 3.25% was foreseen at the end of 2012, currently a decline of 11% is expected for 2013. The main reason for this decline is the sharp decline in investments in motor vehicles, following implementation of a tax increase in January 2013 for such expenditures. Investments in the building and construction sector also remain subdued as a result of the downturn in the housing market. In 2014, the European Commission and the CPB expect investments to recover some lost ground.

Labour market

One of the strong points of the Dutch economy over the course of the crisis has been the fact that the labour market has remained relatively strong. The unemployment rate is expected to be 7% of the labour force in 2013 and 7.5% in 2014 (EU-harmonised definition). Although this unemployment rate is fairly high for Dutch standards, a considerable part of the increase is attributable to a consistent rise in the supply of labour since 2011, especially among the younger (15-25 years) and older (45-75 years) age cohorts. Only since 2013 has a reduction in the demand for labour been the main contributor to the uptick in unemployment.

The Dutch unemployment rate continues to rank among the lowest in Europe, despite its gradual increase in recent years. The relatively good performance is partly the result of some flexible features of the Dutch labour market, such as the large share of part-time and self-employed workers.

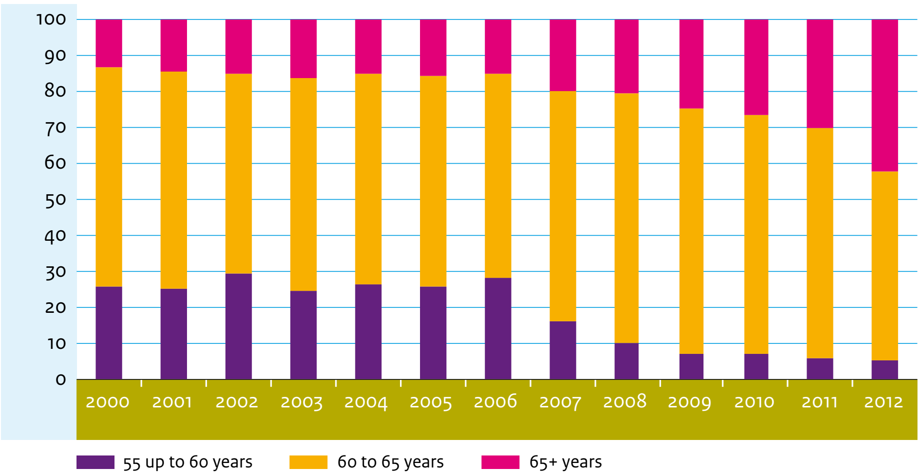
Figure 1.2 – Labour market participation rate (%), selected countries



Source: Eurostat

The participation rate in the Netherlands remains very high at 77.2% (figure 1.2). The start of the economic downturn in 2008 has not halted the upward trajectory of the participation rate. The proportion of women in paid employment has continued to increase. Furthermore, persons aged 55 and over have been taking an increasingly active role in the economy over the last few years, as shown in figure 1.3 below. In 2012, more than 40% of employees were at least 65 at their retirement, and the average retirement age was 63.6 years. The decision to gradually increase the official retirement age from the current 65 to 67 in 2021 – and linking it to life expectancy after 2021 – should further stimulate the participation of older workers.

Figure 1.3 – Average retirement age, 2000-2012 in %



Source: CBS

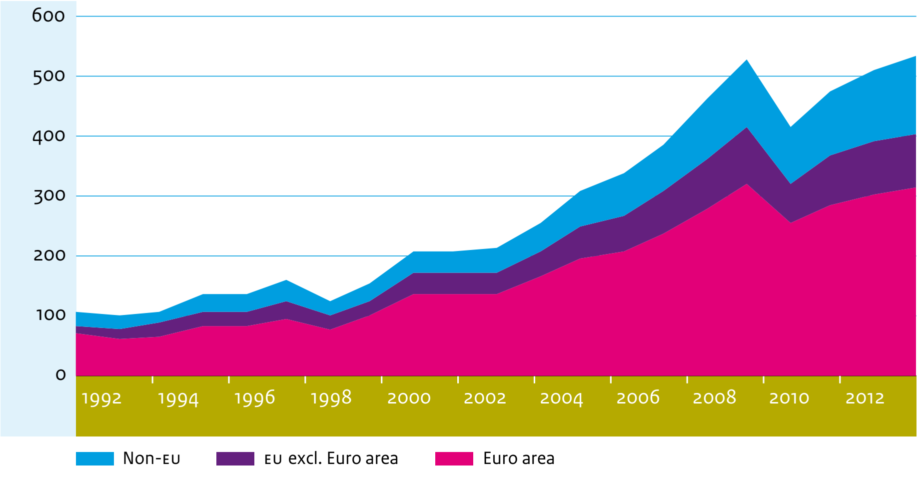
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Export sector

In the past few years the Dutch economy has relied on the export sector to pick up the slack in domestic demand. It fulfilled this role during the economic downturn, and is expected to continue to do so next year. The CPB forecasts exports to grow by 4.25% in 2014. The importance of the export sector results partly from the geographical position of the Netherlands, with the port of Rotterdam functioning as the gateway into the large German market and Europe as a whole. This explains the fact that re-exports represent around 50% of total exports. Although the value added of re-exported goods is relatively small, re-exports make a significant contribution to the Dutch economy due to their large volume.

As a result of its competitive export sector, the Netherlands has the highest current account surplus in the euro area. It is expected to exceed 10% of GDP in 2014 according to the CPB. For a country so heavily reliant on its export sector, it is important to have a geographically diversified market for its products. The figure below shows the evolution of the geographic diversification of the Dutch export sector, and shows that its dependence on euro-area trading partners has been gradually declining over time.

Figure 1.4 – Geographic distribution of Dutch exports in € bln



Source: CBS

Around 25% of exports now have a destination outside the EU (with the US, China and Russia as the main destinations), and around 41% of exports go to non-euro countries. The value of exports to non-euro area countries has roughly tripled in the last decade.

Besides geographical diversification, product diversification is also an indicator for the robustness of a country's export sector. The figure below shows that Dutch exports are well diversified, with the ten major sectors each representing at least 5% of total exports. Machinery and electrical products is the largest category. The share of the different sectors has stayed relatively stable over time, which confirms that Dutch goods remain competitive across many different sectors.

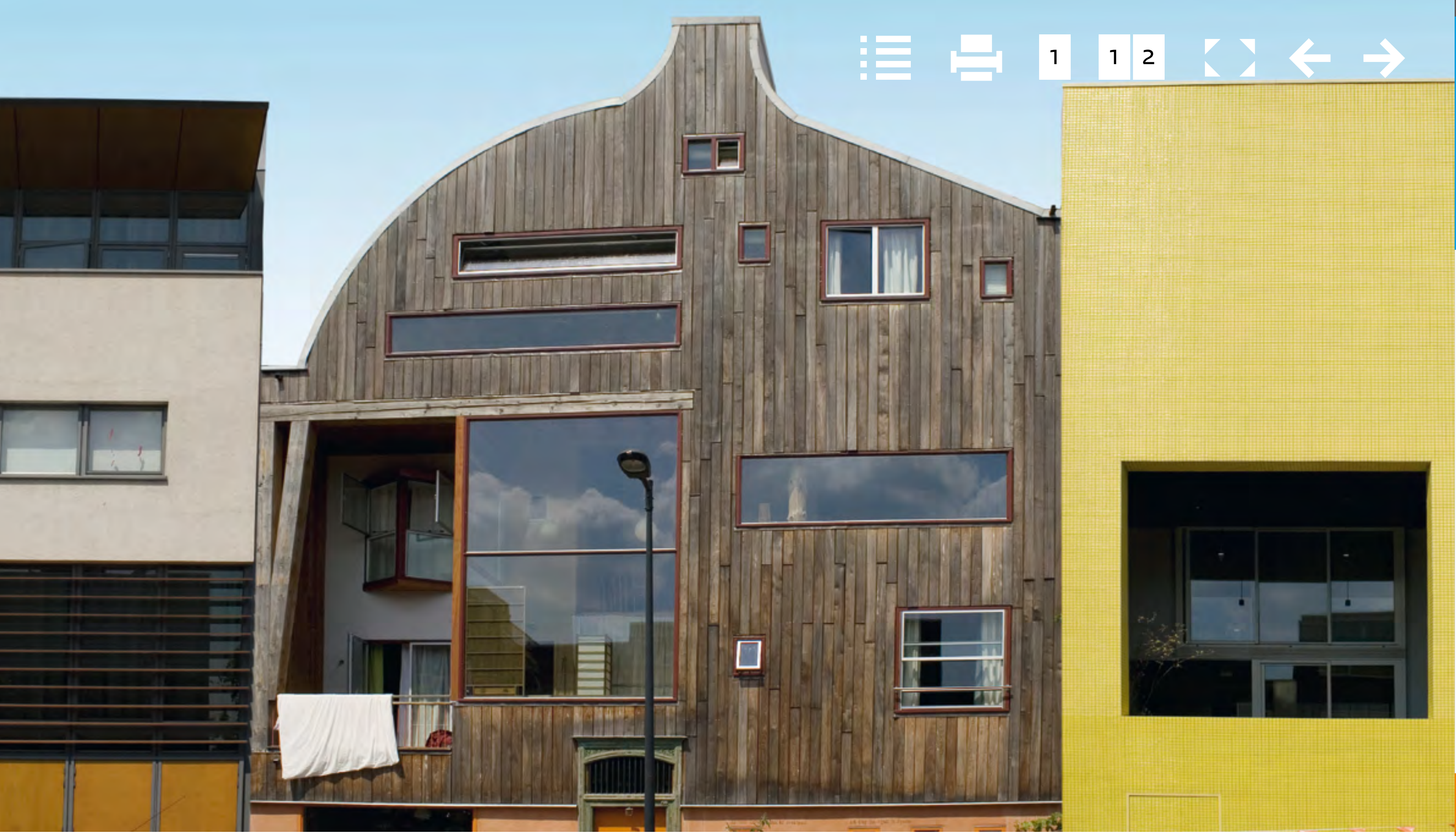
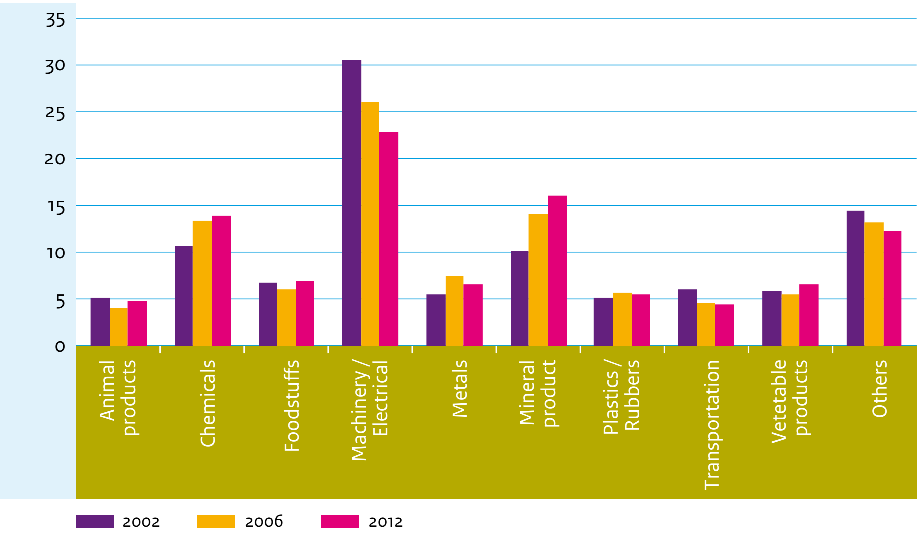


Figure 1.5 – Product category diversification of exports in % of total



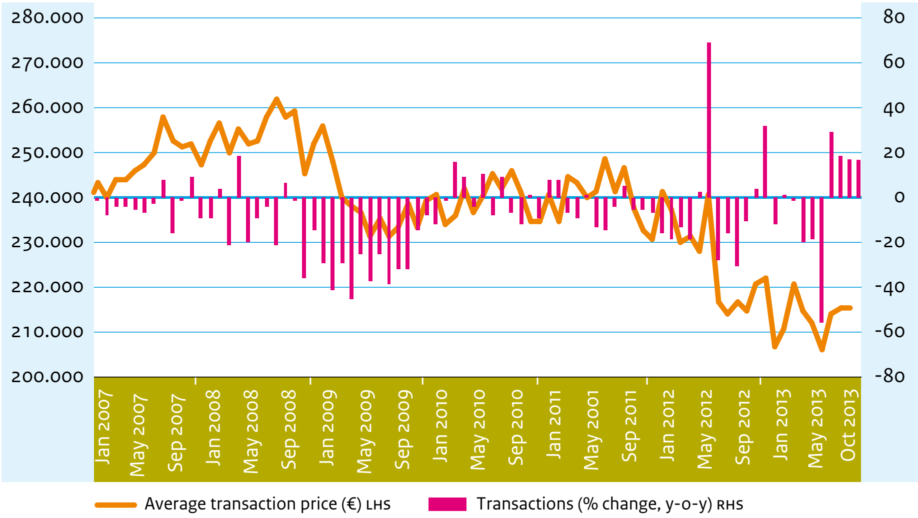
Source: CBS

The Dutch Housing market: bottoming out

Prices in the Dutch housing market have been declining gradually since their peak in 2008. The cumulative downward correction has been about 20% according to the CBS (Statistics Netherlands). Although it is difficult to forecast future developments, recent indicators for the housing market suggest that the price correction may be largely complete. Changes in housing prices have been relatively limited over the last couple of months. According to the latest data shown in the figure below, the number of monthly transactions has now increased for four straight months, from July through October 2013.



Figure 1.6 – Housing market developments



Source: CBS

A number of factors support the assertion that the Dutch housing market is bottoming out. A fairly straightforward explanation is the fact that the affordability of owner-occupied housing has increased substantially. Average house prices are now equal to 2002 levels (in nominal terms). The interest rate for mortgages is also historically low. More households are thus being 'priced into' the market. A second factor is that prices in the rental market have been increasing at a rate exceeding inflation for the past few years, and this trend is expected to continue in the near future. Buying a house is therefore becoming increasingly affordable compared to renting.

Over the last few years, government policy in relation to the housing market has been aimed at correcting a number of structural weaknesses in the Dutch housing market. For instance, tax credits for mortgage payments have been pared back. Until recently, mortgage interest costs were fully deductible, even for interest-only mortgages. Since January 2013, for new mortgages only interest paid on linear and annuity mortgages is eligible for tax deductibility. Furthermore, maximum 'loan-to-value' and 'loan-to-income' ratios are gradually being lowered. Although such reforms may have exerted some downward pressure on prices in the short-term, they should help to structurally improve the housing market in the long run.

Box 1.1 – The Dutch Investment Institution (NII) and the National Mortgage Institution (NHI)

The Dutch government, together with pension funds and insurance companies, has communicated that it will set up a Dutch Investment Institution (NII). Banks are also invited to participate. The idea for setting up the NII stems from discussions between the participating parties, where pension funds and insurers indicated that they saw possibilities for increasing their investments in the Dutch economy. The NII will be an intermediary which aims to bring together supply of and demand for (long-term) funding. This includes large-scale investments in sectors like infrastructure, housing and health care. The NNI will help stakeholders by generating the necessary standardisation, by establishing sufficient scale for funding projects, and by pooling know-how and delivering expertise. In that way, it aims to help profitable propositions to obtain better access to credit. The government will not provide guarantees or capital for the NII. The NII is solely an intermediary and not a financial institution that provides credit to businesses or consumers.

Furthermore, the government is investigating possibilities to set up a Dutch Mortgage Institution (NHI), with the intention to generate a large and stable funding base for the Dutch mortgage market that will withstand turbulence on international capital markets. The NHI may also make participation in the Dutch mortgage market attractive for foreign parties. This could potentially increase competition and reduce mortgage rates for consumers. Before the NHI can be worked out in more detail, the government is in discussion with the European Commission in order to ensure that the final set-up of the institution does not involve state aid.

1.2 Budgetary outlook

The Netherlands has a strong track record of fiscal discipline. The Dutch government intends to maintain this reputation by continuing to consolidate the national budget and curb expenditures in order to bring public finances back on a solid footing. In 2013 the economy developed less favourably than expected as it struggled to return to positive growth, with commensurate effects on the budget balance. A broad political constellation nevertheless remains supportive of structural reforms and budgetary consolidation measures. In October 2013 the coalition government, supported by various opposition parties, reached a Budgetary Agreement for 2014 which will help bring the budget deficit down.

Budget for 2014

The government's latest projections, published in September's Budget Memorandum, forecast a budget deficit of 3.2% for 2013. This implied an improvement of the budget deficit by 0.3% of GDP since June, which was largely attributable to a non-structural, 'one-off' event: the statistical reclassification of the nationalisation of SNS Reaal by Statistics Netherlands (CBS). This reclassification has been adopted by Eurostat on a preliminary basis, pending a definitive confirmation.

Citing the challenging economic climate, the European Commission extended the deadline for the Netherlands to correct its excessive deficit by one year, from 2013 to 2014. The Commission suggested that achieving this deadline would require an additional package of € 6 bln (1% of GDP) of budgetary consolidation measures for 2014.

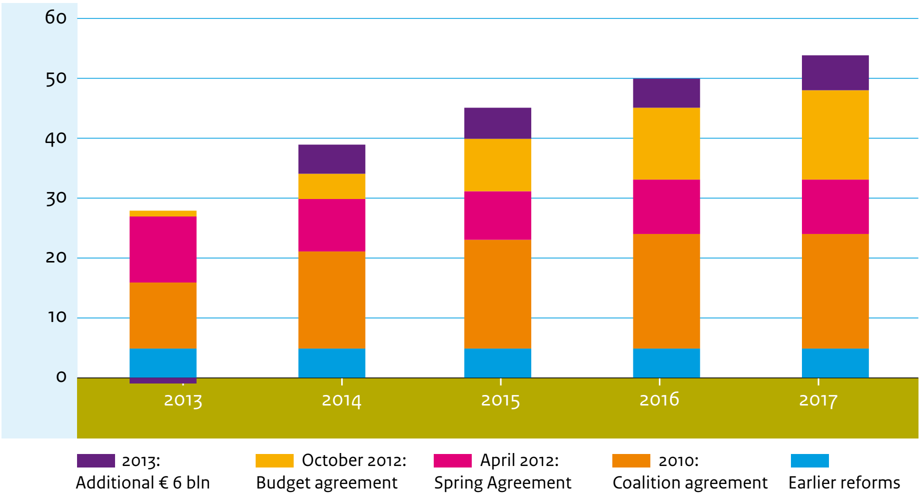
The governing coalition of VVD (liberal) and PvdA (labour) presented the outline for € 6 bln of consolidation measures in their Budget Memorandum in September 2013, as suggested by the European Commission. Besides a focus on reducing the budget deficit, the package aimed to increase the robustness and flexibility of the Dutch economy, while spreading the burden of

the economic and budgetary measures as fairly as possible. The government agreed to further reduce public expenditures, focusing principally on social security, public administration and health care. Government revenues will be increased, among others, by freezing the income tax brackets and extending the crisis levy on the highest incomes.

Taking into account the effects of these budgetary measures, the CPB published new projections for the economic and budgetary developments in the Netherlands. A budgetary deficit of 3.3% of GDP for 2014 is now expected.

In order to achieve broader political backing for the Budget, especially in the Senate, where the VVD and PvdA don't have a majority, the government initiated negotiations with several opposition parties. An agreement was reached with the centrist-liberal D66 and the small confessional parties CU and SGP. While the main contours of the governing coalition's Budget Memorandum remained intact, it was amended in a number of areas. The amendments include a reduction of the tax and social contribution burden on labour, aimed at improving employment and short-term purchasing power. Furthermore, the marginal tax rate is structurally reduced. These income tax reductions are mainly financed by a number of environmental measures. As was demanded by the opposition parties, more resources will be dedicated to schooling and to families with children as compared to the original plans. These plans entail approx. € 700 mln (0.1% of GDP) in additional expenditures, for which the necessary budgetary coverage still needs to be found.

Figure 1.7 – Cumulative budgetary savings of consolidation packages in € bln



Source: CPB

Structural deficit and government debt

The structural budget balance is the backbone of the EU framework of fiscal surveillance, both in a preventive and a corrective way. The concept shows the budget balance as if the economy was running at full potential. After a correction for the budgetary effects of the output gap and one-off and temporary measures, the structural budget balance and can be used to assess the fiscal policy stance. The importance of the structural budget balance is illustrated by the recent reforms of European economic governance, as it is used to measure the progress of countries with respect to the goals of the so called Medium-Term Objective of the Stability and Growth Pact.

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Although the improvement in the nominal EMU balance in recent years has been slower than had been anticipated, larger gains have been made in improving the structural budget balance. Over the last few years, the budgets passed by the Dutch government -in various coalitions- have had a strong focus on structural budgetary improvements. As a result, the projected structural balance has improved from -4.4% GDP in 2010 to -1.3% in 2014 (see table below).

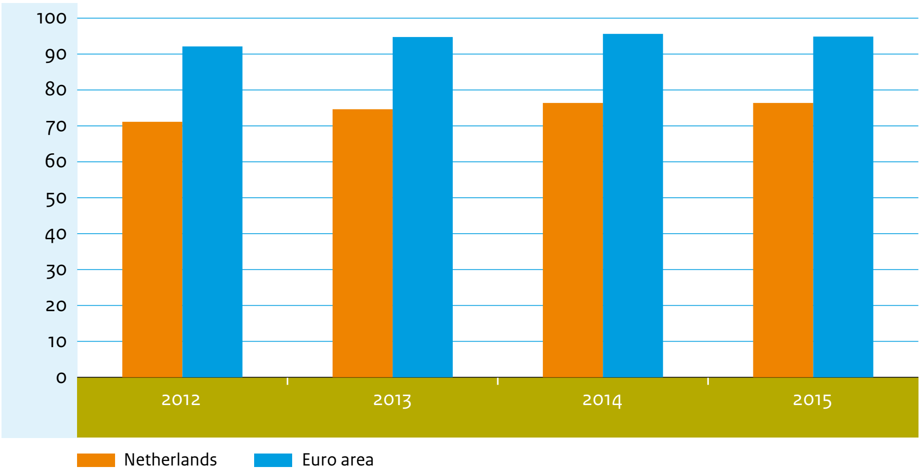
Table 1.2 – Budgetary developments 2009-2014 in % GDP

	2009	2010	2011	2012	2013	2014
Nominal EMU-balance	-5.6	-5.1	-4.3	-4.1	-3.2	-3.3
Cyclical component/one-offs	-1.4	-0.7	-0.6	-1.6	-1.7	-2.0
Structural EMU-balance	-4.2	-4.4	-3.7	-2.5	-1.5	-1.3
EMU debt	60.8	63.4	65.7	71.3	75.0	76.1

Source: Budget Memorandum, September 2013 and CPB projections

The CPB's latest estimates for 2013 and 2014 projected an increase in the debt level from 71.3% of GDP in 2012 to 75% in 2013 and 76.3% in 2014. The nationalisation of SNS Reaal added € 9 billion (approx. 1.5% of GDP) to the national debt in 2013, while EFSF/ESM contributions are expected to add € 4 billion in 2013 and € 1.75 billion in 2014. Furthermore, adverse economic developments contributed to the higher debt level, via their effect on the budget deficit and the so-called 'denominator effect', where a lower than expected GDP level causes a deterioration of the debt-to-GDP ratio. The expected wind-down in 2014 of the Illiquid Asset Back-up Facility (IABF) will potentially shave 1% of GDP off the debt level (see chapter 1.3), but this is not included in the figure below.

Figure 1.8 – Government debt Netherlands and Euro area 2012-2015 in % of GDP



Source: Autumn Forecast 2013, European Commission



1.3

Financial market developments

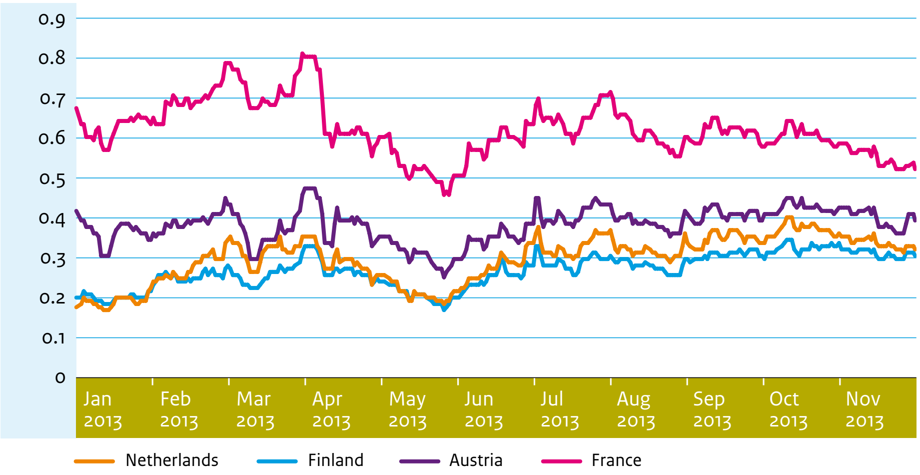
Positive investor sentiment prevailed on financial markets for much of 2013. An important driver for this positivism was the perception of 'green shoots' in the real economy in many developed countries, combined with the continuing accommodative monetary stance of the leading central banks. The Federal Reserve and the Bank of England both prolonged their programmes of quantitative easing to stimulate the economy. The Bank of Japan introduced another large monetary stimulus program in April. The European Central Bank decreased its refinancing rate from 0.5% to 0.25% in November, while the rate on the marginal lending facility was reduced to 0.75% from 1%. According to the ECB, the euro area is likely to experience a prolonged period of low inflation. This led to the rate cut in November and the continuing forward guidance on interest rates.

On the back of the positive sentiment, European and US stock markets gained more than 15% and 20%, respectively, in the year to mid-November. In Japan gains were even more pronounced, with the Nikkei index higher by more than 35%.

Increasing yields on Dutch State Loans

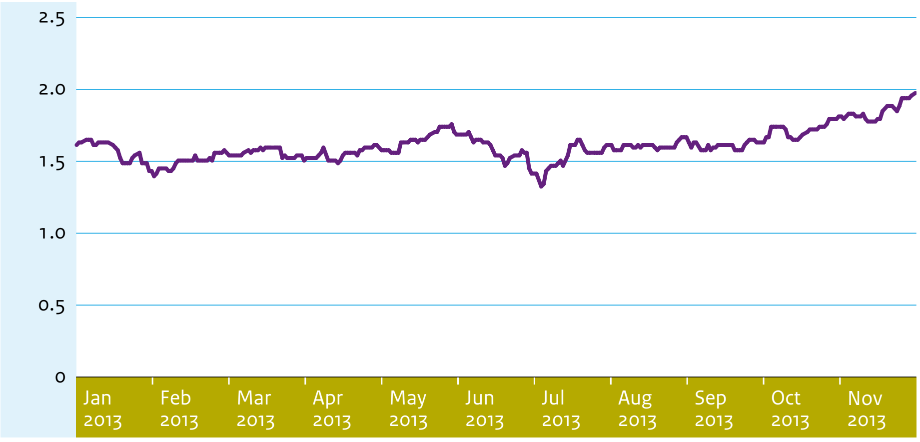
The risk-on environment in markets also caused core government bond yields to rise. The German 10-year yield increased from 1.31% on 1 January to 1.70% in the end of November, with a peak of more than 2% in the beginning of September. The Dutch 10-year yield continued to track the yield on comparable German debt fairly closely in 2013, varying within a relatively narrow band from a low of 18bp in January to a high of 39bp in October. After this peak, the spread gradually declined to a level of about 35bp at the cut-off date of this Outlook. The spreads of Austrian and French 10-year bonds vis-à-vis the German Bund have been more volatile than the Dutch spread, especially in the first half of the year.

Figure 1.9 – Spread of 10-year bonds vs. German 10-year Bund (in percentage points)



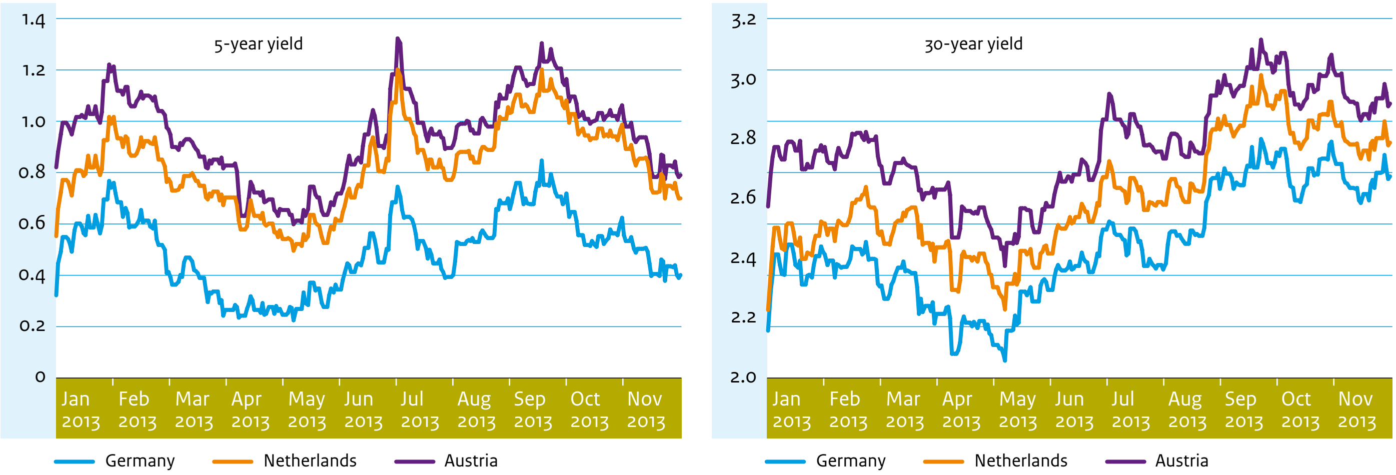
Zooming in on the Dutch yields for different maturities, figure 1.10 shows that the Dutch 5-30 year spread increased somewhat during the second half of 2013, pointing to a slight steepening of the curve. Nevertheless, the curve remains flat by historical standards.

Figure 1.10 – 5-30 year DSL spread (in percentage points)



When comparing Dutch bonds yields with yields of some of the Netherlands' peers, Dutch bonds on the long end of the curve perform relatively strongly. For the 5-year maturity the average spread vis-à-vis Germany has been about +30bp from January to November, while over that period the Dutch 5-year yield was, on average, about 12bp below the Austrian yield. At the long end of the curve, the Dutch spread vis-à-vis Germany was much tighter. In the 30-year segment, it averaged 16bp from January to November. The difference between the Dutch and Austrian yield was much larger on the long end of the curve then on the short end, with the long-end spread averaging 33bp over this period. Hence, the Dutch yield curve is less steep than those of its peers.

Figure 1.11 – 5- and 30-year yields for Germany, The Netherlands, Austria (%)



Part of the explanation for the relative flatness of the Dutch yield curve may be that there was a relatively small supply of primary issuance of longer-dated DSLs in the past year. In 2013, the DSTA issued only € 4.3 bln in DSLs with a maturity longer than 10 years, which is well under 10% of total issuance. Furthermore, if a fairly large share of longer-dated bonds is held by pension funds and insurers (which are generally hold-to-maturity investors), the free-flow will be low, which may drive up prices and decrease yields. This may especially be the case for Dutch bonds, given the large size of Dutch pension funds. If these pension funds exhibit some degree of home bias, this may contribute to the relatively strong demand for, and low yields of, longer-dated DSLs.

1.4 Interventions to support financial stability – 2013 update

Guarantees are a form of implicit liabilities that can, due to sudden exogenous events, become explicit. It is therefore important to keep close track of these implicit liabilities, and the potential risks they entail for public finances. In the Netherlands, the annual Budget Memorandum gives an overview of the different types of guarantees that that have been issued by the central government, as well as the size of the potential liability that may arise for the government from each guarantee. The Budget Memorandum also contains data on the projected end-of-year nominal value of loans, participations, and capital injections the Dutch State has undertaken since 2008 in support of (international) financial stability.

Developments in 2013

Following the realisation of large losses on its real-estate portfolio, the Dutch bank/insurer SNS REAAL was nationalised on 1 February 2013. The structure of the nationalisation included a bail-in of shareholders and subordinated creditors. However, not only private parties were forced to take losses, as the Dutch State also had to write down capital of € 800 mln it had previously injected into SNS REAAL, comprising € 565 mln in principal and a 50 percent penalty interest. Upon nationalisation, the Dutch government provided a capital injection of € 2.2 bln to SNS REAAL and € 0.5 bln to the newly created property management organization, which will administer SNS's property portfolio. Furthermore, the State extended a bridge loan of € 1.1 bln to SNS REAAL, and will also guarantee funding by the new property management organisation by up to € 5.0 bln.

In accordance with the agreed repayment schedule for capital injected by the State, ING will repay € 1.125 bln in 2014, consisting of € 750 mln principal and € 375 mln penalty interest. The amount outstanding will thereby decrease to € 750 mln. ING will repay the final instalment in 2015. These repayments are subject to approval by the Dutch Central Bank (DNB) in order to ensure that they are prudentially justified. ING will accelerate its repayments if financial circumstances permit.

With regard to the Dutch State's current shareholdings in ABN AMRO, ASR and SNS REAAL, the Minister of Finance has communicated that he does not see a role for the government as a long-term investor in these financial institutions, and that they will be sold into private ownership if the following criteria are met: (1) the financial sector must remain sufficiently stable, (2) the market should be able to absorb the intended transaction and (3) the relevant institutions must be ready for the intended form of privatisation. In addition, the aim is to receive as high a return as possible on capital that was invested by the State.

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The termination of the Illiquid Asset Back-up Facility

On 1 November 2013 the Finance Minister announced that an agreement had been reached with ING concerning the winding down of the so-called Illiquid Asset Back-up Facility (IABF). The IABF is one of the measures the Dutch State took in 2008 and 2009 to support the stability of financial markets. Under the IABF, the Dutch State took over 80 percent of the risk of ING's portfolio of US Alt-A mortgage-backed securities. The State received a loan from ING to fund the purchase of this economic ownership. In exchange, the State receives 80 percent of all interest and principal repayments from the securities in the portfolio, as well as a net payment of fees from ING.

The Minister of Finance has always indicated that (premature) termination of the IABF must take place under conditions acceptable to the State, whereby the State is properly compensated for the risk it agreed to take on. In the past year, the market value of the Alt-A portfolio has risen considerably. At the end of October, the outstanding loan to be repaid to ING amounted to € 6.0 billion[1], while based on the most recent market information the market value of the portfolio was approx. € 6.4 billion. Winding down the IABF is thus foreseen to result in a total profit for the State of approx. € 400 million. This amount does not include the settling of the guarantee fees with ING.

The State intends to terminate the IABF by selling the Alt-A portfolio within one year, market conditions permitting. The proceeds will be used to repay the loan owed to ING. The agreement reached in November stipulates that the Dutch government will receive € 400 mln from ING in 2013 as compensation for foregone future fee payments. This will have a small effect on the EMU balance due to the specific statistical treatment of this payment. Furthermore, the sale of the portfolio and the subsequent repayment of the loan by ING will result in a reduction of the national debt by approx. € 6.8 bln (i.e. the sum of the expected proceeds of the sale and the compensation for the foregone fees).

The terms of the agreement are subject to approval by the European Commission.

1 All amounts referred to involve conversions of amounts in US dollars. To this end, an exchange rate of EUR/USD 1.32 was applied in accordance with the estimate of the Netherlands Bureau for Economic Policy Analysis (CPB). The actual amounts may therefore differ from the amounts stated.


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2 Funding and issuance



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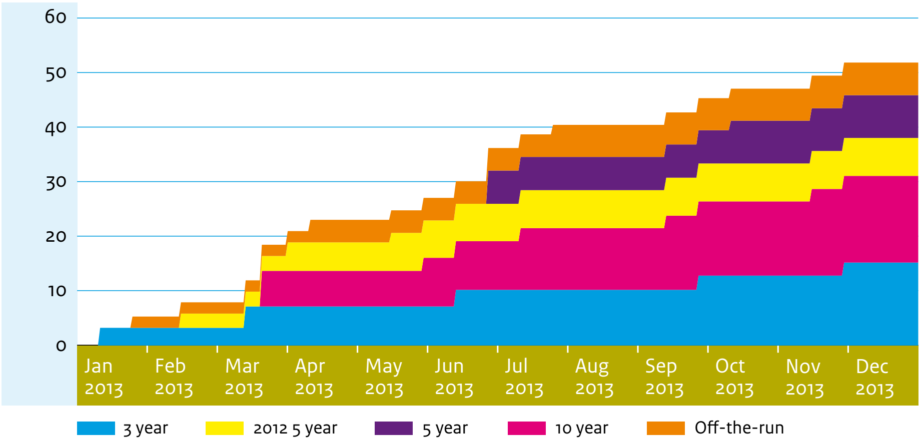
2.1 Looking back

This section reflects on the execution of the funding plan for 2013, which was announced in the previous edition of the Outlook.

Capital market issuance in 2013

In 2013, the target issuance of DSLs decreased from the € 60 bln that was issued in 2012 to around € 50 bln. The reason for the lower call on the capital market was a decline in the DSTA's funding need. With all capital market auctions for 2013 completed, capital market issuance has totaled € 51.8 bln. Figure 2.1 shows the progression of issuance on the capital market split into various maturities.

Figure 2.1 – DSL issuance in 2013 by maturity in € bln



The DSTA issues new benchmark bonds annually in the 3-, and 10-year segments. Since the financial crisis and subsequent economic downturn have resulted in a significant increase in the DSTA's funding need from 2008 onward, the DSTA has also issued new 5-year bonds regularly.

As was the case in previous years, the DSTA started the execution of its funding plan with the launch of a new 3-year DSL, the DSL 0% 15 April 2016, through a regular tap auction in January. After the initial tap of € 3.2 bln, the bond was reopened four times over the course of the year. During the final auction date on 26 November, the outstanding volume was raised to € 15.2 bln, in line with the DSTA's commitment.

In March the DSTA launched its second benchmark bond, the new 10-year DSL, the 1.75% July 2023. As is usual for the 10-year maturity, the bond was launched through a Dutch Direct Auction (DDA). After € 6.5 bln had been raised in the DDA, the outstanding amount was raised to € 15.8 bln during four further tap auctions.

The third and final bond launched in 2013 was the DSTA's new 5-year benchmark bond, the DSL 1.25% 15 January 2019. The DDA for this bond took place in June. After one reopening, the outstanding amount is currently € 7.9 bln. Its targeted minimum outstanding amount of € 15 bln will be reached in the first half of 2014.

Furthermore, the DSTA tapped the on-the-run 5- and 20-year DSL for a total of € 8.5 bln. These bonds have now reached their minimum committed volumes of € 15 bln and € 10 bln, respectively. To complete its capital market funding requirement of € 50 bln, the DSTA reopened off-the-run bonds maturing in 2014, 2021 and 2042 for a total amount of € 4 bln.

Money market issuance in 2013

For the DSTA, the money market acts as a buffer to absorb unforeseen changes in the funding need. To ensure a balanced ratio between money and capital market funding, the DSTA has been aiming to gradually reduce the outstanding money market volume from its peak in 2008. In line with this goal, money market funding was reduced from € 53.2 bln in 2012 to an estimated € 47.6 bln at year-end 2013.

Various instruments are deployed by the DSTA to optimise the management of money market funding. Traditionally, Dutch Treasury Certificates (DTCs) have been the money market cornerstone issuance for the DSTA. Commercial paper (CP) adds flexibility, since maturities, the currency of denomination and the timing of issuance can be tailored to specifically suit both investors and the DSTA. In addition, the DSTA may attract deposits for its shortest funding needs.

The DSTA auctions DTCs every first and third Monday of the month with two DTC-programmes per auction. In 2013, a 3-month DTC programme was tendered in combination with a programme in either the 6-, 9- or 12-month segment during every auction. A gross amount of approximately € 64 bln was issued in DTCs in the first 11 months of 2013 (January - November), with an average outstanding level of around € 25 bln during the year.

During 2013, the DSTA consistently issued DTCs at negative spreads vis-à-vis the Eonia swap rate. Funding in the money market for the 3-, 6-, 9- and 12-month maturities was achieved at an average spread of around 10, 8, 7 and 6 bps below Eonia, respectively. Figure 2.2 shows the issuance yields vis-à-vis Eonia for the various maturities at different auction dates throughout the year. The 3-month short-term T-bill has been issued at especially high spreads vis-à-vis Eonia.

Figure 2.2 – DTC-Eonia spread in basis points

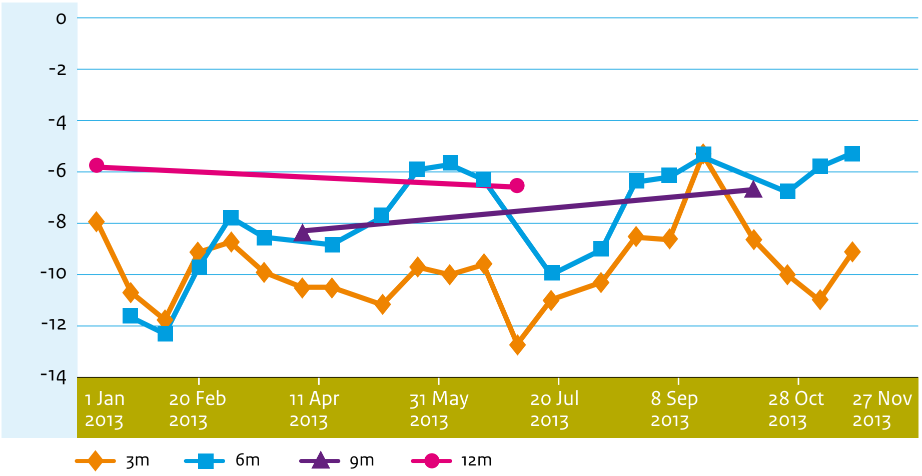
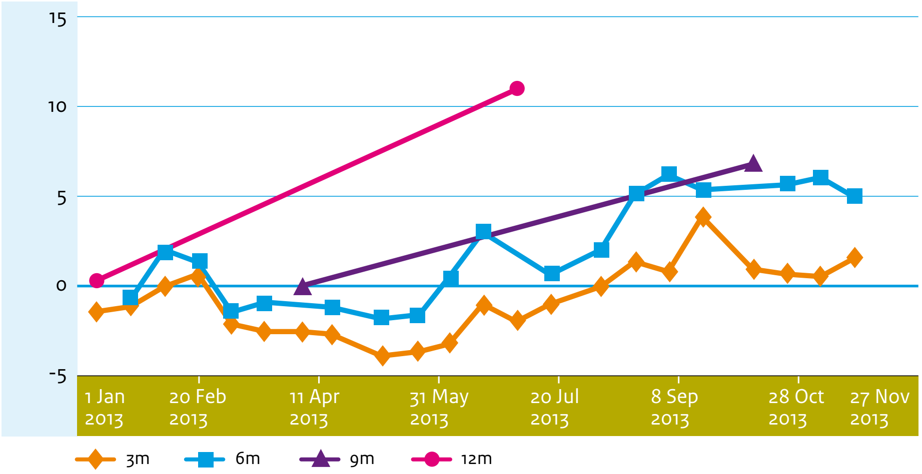


Figure 2.3 shows that the DSTA was able to issue the shorter-dated DTCs at negative yields during a significant part of the year. Whereas yields for 3-month paper have been positive since August of this year, they have been steadily declining after September and are again moving towards zero. Despite the negative yields, DTCs remain attractive for investors as evidenced by the high bid-to-cover ratios in auctions.

Figure 2.3 – Absolute DTC yields in basis points



In 2013 the DSTA issued Commercial Paper (CP) in euros as well as US dollars, British pounds, Swiss francs and Norwegian kroner. As in previous years, the DSTA's CP program has two issuance peaks which coincide with the redemptions and coupon payments of DSLs in January and in July. Given the demand among investors for high-quality USD paper as a result of favourable market conditions, a large majority of the CP issued in 2013 was in USD, as shown in table 2.1. The DSTA used foreign exchange swaps to hedge its exchange rate risk, and generally paid a negative yield on USD CP after the swap.

Table 2.1 – Commercial Paper issuance per currency in bln

	2011	2012	2013
CHF	0	0	1
EUR	18	6	24
GBP	5	20	16
NOK	3	23	11
USD	37	89	129

A gross amount of almost € 150 bln (in euro equivalent) has been issued in CP with an average outstanding amount during the year of € 12 bln. CP is considered a cash management fine-tuning instrument, as is illustrated by the fact that well over half of CP issuance had a maturity of up to 1 month.

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2.2 Funding plan 2014

This section gives an overview of the DSTA's borrowing requirement and funding plan for 2014.

The DSTA's borrowing requirement in any given year is the sum of the outstanding volume of the money market at the close of the preceding year, capital market redemptions and the expected cash deficit. While determining the capital market redemptions is fairly straightforward, the outstanding volume of the money market at the end of the current year is subject to some uncertainty, as it depends on extrapolation of the cash deficit out towards the end of December of this year. The estimate of the cash deficit one year ahead is based on the most recent budgetary projections. Given the economic uncertainty, future funding requirements are always subject to a margin of error.

As a result of a somewhat higher than expected funding need in 2013, the DSTA has increased the outstanding volumes of Dutch Treasury Certificates, Commercial Paper and deposits above the level expected at the onset of the year. These instruments make up the majority of the money market, with collateral that the DSTA receives on its derivatives portfolio also representing a significant part of its short-term funding since 2012. The outstanding volume of the money market ultimo-2013 must be refinanced over the course of 2014.

The DSTA's total borrowing requirement for 2014 is composed as follows:

- Capital market redemptions of € 32.2 bln
- An expected end-of-year money market volume (including collateral) of € 47.6 bln
- An estimated cash deficit of € 15.9 bln

Inflows from Treasury Banking are expected to amount to € 2 bln in 2014, bringing the net cash deficit to € 13.9 bln. The total external borrowing requirement for 2014 is thus expected to amount to approx. € 93.7 bln. This amount is about € 4 bln lower than the latest projection of the borrowing requirement in 2013.

In 2014, the DSTA intends to raise approx. € 50 bln on the capital markets through the issuance of DSLs. This is in line with DSL issuance in 2013. The remaining funding need will be financed on the money market. The expected outstanding volume of the money market (incl. collateral) at the close of 2014 will thus be an estimated € 43.7 bln.

Table 2.2 – Borrowing requirement and funding in 2014 in € bln

Borrowing requirement	
Capital market redemptions	32.2
Money market ultimo 2013*	47.6
Cash deficit**	13.9
Total external funding requirement	**93.7**
Funding	
Capital market	50
Money market ultimo 2014*	43.7
Total funding	**93.7**

* Including cash collateral received
** This is comprised of a gross cash balance of € 15.9 bln and expected inflows from local governments of € 2 bln



While the total funding need in 2014 is expected to be somewhat lower than in 2013, the targeted level of capital market issuance will remain at the same level of € 50 bln. This will allow the outstanding money market to decrease slightly. Nevertheless, the DSTA asserts that it is essential to ensure that sufficient liquidity is maintained in DTCs and CP, in order to allow these instruments to fulfill their roles of providing flexibility in financing and cash management. A significant part of the money market consists of cash collateral (which stood at € 10 bln at the end of November), which is potentially a volatile source of funding as it depends on the level of interest rates. The amount of capital market funding in 2014 has been calibrated such that a sufficient volume of the various money market instruments can be maintained in different plausible interest rate scenarios. A capital market issuance of approx. € 50 bln in 2014 will, under current assumptions, help bring down the outstanding DTC and CP volume to its longer-term target of about € 30 bln.

Capital market issuance in 2014

The DSTA will fulfill its capital market funding target of € 50 bln euros by issuing four new DSLs, by bringing the current on-the-run 5-year DSL to its benchmark size, and by reopening off-the-run DSLs.

More specifically:

- New 3-year DSL – The DSTA will kick-off its capital market funding with the issuance of a new 3-year benchmark bond. The bond will be launched via a tap auction in January. Subsequent reopenings throughout the year will enable the bond to reach its benchmark size of at least € 15 bln by the end of 2014. As was the case in previous years, the bond's coupon date will fall in April.
- New 5-year DSL – Since 2008, the 5-year segment has been a regular issuance maturity for the DSTA, as a new 5-year bond was launched in every year except 2011. In 2014, too, a new 5-year DSL will be launched. However, while in recent years the DSTA issued € 7-8 bln in the new 5-year bond in the year of its launch, the target issuance in 2014 is about € 5 bln. This entire amount will be raised by means of a DDA. Whereas the 5-year DDA usually takes place in June in order to allow for a subsequent reopening later in the year, in 2014 the 5-year DDA will be held in September/October. The remaining amount required to reach the bond's benchmark volume of € 15 bln will be issued in 2015.
- New 10-year DSL – The DSTA has determined that the window for the launch of its new 10-year benchmark bond via a DDA will be February-April. By the end of the year a minimum outstanding volume of € 15 bln will be reached through four reopenings.
- New 30-year DSL – For the first time since 2010 the DSTA will issue a new 30-year bond. The DDA for the launch of the bond will also take place in February-April. The bond will be reopened once in the second half of the year. As is the case for all longer maturity bonds, this new DSL will have a target volume of at least € 10 bln. It is expected that this benchmark size will be reached in 2015.
- Reopening the on-the-run 5-year DSL – The 5-year DSL 1.25% January 2019 has a current outstanding volume of € 7.9 bln. The bond will be reopened on three occasions in the first half of 2014 to reach its benchmark size of at least € 15 bln within a year of its launch.
- The remaining funding need of € 3 bln will be financed by reopening off-the-run DSLs on two occasions. While in previous years the selection of DSLs to be reopened was announced in the Quarterly Outlooks, in 2014 this announcement will be made on the regular Wednesday prior to the auction date (i.e. closer to the date of the auction). While the DSTA may choose to reopen any off-the-run DSL, certain bonds may have a higher probability of being reopened, such as bonds maturing in years in which redemptions are relatively low, or bonds that seem to be relatively less liquid.

With regard to the issuance of USD bonds, the DSTA's policy is unchanged. The precondition for issuing debt in US dollars is that a funding advantage can be realized vis-à-vis a comparable bond issued in euros. Additionally, since the DSTA has determined that DSLs issued in foreign currency will impinge on money market funding, a second important constraint for USD issuance is that it must not jeopardise the existence of a sufficiently liquid money market.

Table 2.3 summarises the DSL issuance in 2014. The DSL issuance calendar can be found on the next page.

Table 2.3 – DSL issuance in 2014, indicative sizes in € bln

DSL	Indicative amounts
New 3-year DSL	15
New 5-year DSL	5
New 10-year DSL	15
New 30-year DSL	5
On-the-run 5-year DSL	7
Reopening off-the-run DSLs	3
Total DSL funding	**50**

DTC issuance

The DTC calendar follows the usual pattern, with auctions held on the first and third Monday of every month. At every auction, a 3-month programme will be tendered, in combination with a programme in the 6-, 9- or 12-month segment. As was the case this year, the focus of the second line will be on issuance in the 6-month segment to optimise the DSTA's ability to absorb unforeseen changes in the cash balance. Fluctuations in cash collateral received and the inherently uncertain nature of the DSTA's cash flows continue to require a flexible cash management approach. Furthermore, by issuing DTCs with relatively short maturities, the incidence of cash surpluses can be reduced, thereby mitigating credit risk.

Consequently, the auction calendar for 2014 follows the same pattern as this year, with one small change: in response to questions from our investors, we have extended the maturity date of the 12-month DTC programme that will be launched on 6 January 2014 so that it falls in the new year (2015). Issuance in 12-month programmes will take place in the beginning of the first and third quarter only. The second and fourth quarter will start with an auction of a 9-month DTC. In all other auctions, 3-month DTCs will be auctioned in combination with issuance in the 6-month segment.

All DTC-programmes to be auctioned will be announced on the Wednesday prior to the auction (T-5). The DTC calendar can be found on the next page. Unforeseen circumstances may lead to changes in the calendar. Quarterly issuance calendars will always provide updates, if necessary. These will be published through regular press releases and are available on the DSTA's website.

Indicative DSL calendar 2014

Month of issuance	Auction Date 2nd Tuesday	Details	Auction date 4th Tuesday	Details	DDA window
January	14	Tap new 3-year: DSL 15 April 2017	28	Off-the-run	
February	11	Tap 5-year: 1.25% DSL 15 January 2019	25	No tap	New 10-year New 30-year
March	11	Reopening new 3-year	25	No tap	
April	8	Tap	22	Tap	
May	13	Tap	27	Tap	
June	10	Tap	24	Off-the-run	
July	8	Tap	22	No tap	
August	Reserve dates				
September	9	Tap	23	No tap	New 5-year
October	14	Tap	28	No tap	
November	11	Tap	25	Tap	
December	Reserve dates				

The timing of the DDA's may lead to changes in the DSL calendar

Indicative DTC calendar 2014

Auction date	Settlement date	3-month DTC-progamme	6-, 9-, 12-month DTC-programme
06-01-2014	08-01-2014	31-03-2014	06-01-2015
20-01-2014	22-01-2014	29-04-2014	30-06-2014
03-02-2014	05-02-2014	29-04-2014	31-07-2014
17-02-2014	19-02-2014	30-05-2014	29-08-2014
03-03-2014	05-03-2014	30-05-2014	30-09-2014
17-03-2014	19-03-2014	30-06-2014	30-09-2014
07-04-2014	09-04-2014	30-06-2014	06-01-2015
22-04-2014*	24-04-2014	31-07-2014	31-10-2014
05-05-2014	07-05-2014	31-07-2014	28-11-2014
19-05-2014	21-05-2014	29-08-2014	28-11-2014
02-06-2014	04-06-2014	29-08-2014	06-01-2015
16-06-2014	18-06-2014	30-09-2014	30-01-2015
07-07-2014	09-07-2014	30-09-2014	30-06-2015
21-07-2014	23-07-2014	31-10-2014	30-01-2015
04-08-2014	06-08-2014	31-10-2014	27-02-2015
18-08-2014	20-08-2014	28-11-2014	27-02-2015
01-09-2014	03-09-2014	28-11-2014	31-03-2015
15-09-2014	17-09-2014	06-01-2015	31-03-2015
06-10-2014	08-10-2014	06-01-2015	30-06-2015
20-10-2014	22-10-2014	30-01-2015	30-04-2015
03-11-2014	05-11-2014	30-01-2015	29-05-2015
17-11-2014	19-11-2014	27-02-2015	30-04-2015
01-12-2014	03-12-2014	27-02-2015	29-05-2015
08-12-2014**	10-12-2014	31-03-2015	30-06-2015

Shaded fields indicate new programmes.
* Tuesday instead of Monday due to national holiday
** Second instead of third Monday

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2.3 The DSTA's framework for interest rate risk management

Concept of risk

Like most other countries, the Netherlands aims to fulfill its borrowing requirement at the lowest possible costs, given an acceptable level of risk. The risk in this context is the budgetary risk, i.e., the risk that costs in the government budget increase due to an increase of interest rates. The impact of interest rate fluctuations on interest costs will be larger when interest rates are reset more frequently. Hence, funding strategies that rely primarily on short maturity instruments (or on instruments with a floating rate) imply a higher budgetary risk than funding strategies that rely on longer maturity instruments. On the other hand, while short-term financing is more risky, it is on average cheaper than long-term financing. The optimal trade-off must be found between risk and costs.

Based on analysis conducted in 2007 and again in 2011, the DSTA concluded that an optimal trade-off can be found on the so-called efficient frontier, and in particular among constant maturity portfolios. Portfolios on the efficient frontier are efficient in the sense that there are no other strategies with the same risk but lower costs, or with the same costs but a lower risk. The DSTA considers the optimal balance between costs and risk to be at the seven year point.[2] Since 2008 the DSTA has therefore been using a risk framework based on a 7-year constant maturity portfolio.

The risk framework in theory (the benchmark)

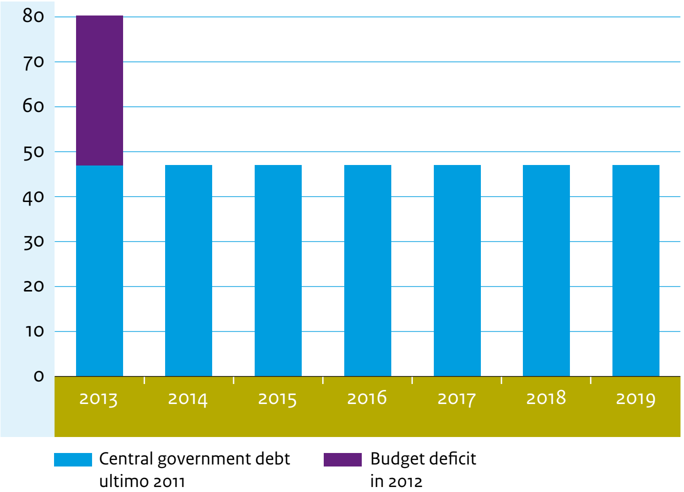
The DSTA's risk framework has been formalised in a benchmark. In this benchmark, a 7-year bond is issued each day. If the national debt remains unchanged, a 7-year bond of the same amount would be issued in the benchmark, day after day, year after year. However, the size of the debt changes constantly due to budgetary deficits or surpluses. In the benchmark, a deficit that accrues over the course of a year is financed overnight on the money market. In the following year, the money market funding related to the deficit will be transferred to the capital market by issuing bonds with maturities of 1 to 7 years in equal proportions.

This process, called rebalancing, is illustrated schematically in figure 2.4. The graph on the left shows the redemption profile of the national debt (according to the benchmark) ultimo 2012. The national debt ultimo 2012 is equal to the national debt ultimo 2011 plus the deficit that was incurred in 2012. In 2013 this deficit (purple bar) and one-seventh of the state debt ultimo 2011 (blue bar) must be refinanced. The blue bar is refinanced by issuing bonds that mature in 2020 (i.e. 2013 + 7 years), and the purple bar is refinanced by issuing bonds maturing in 2014 (2013 + 1 year) up to 2020 (2013 + 7 years). This leads to the redemption profile of the central government debt ultimo 2013 under the benchmark, which is depicted in the graph on the right. The orange bar is the expected deficit in 2013, which is again initially financed on the money market, and must hence be refinanced in 2014.

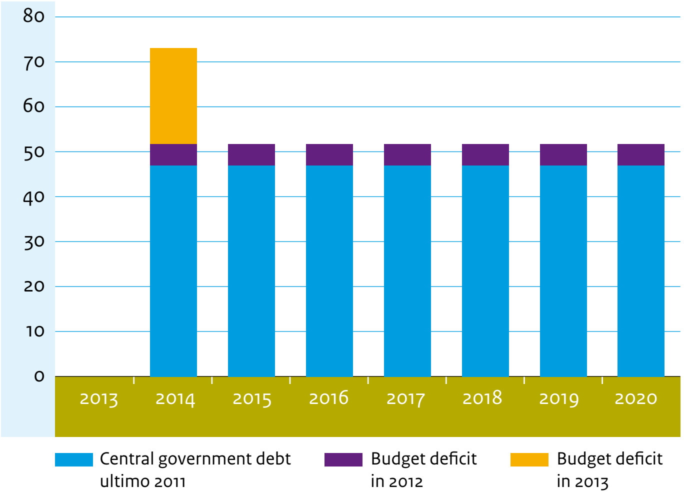
2 This is the result of research conducted in 2007 which was confirmed again in 2011. It is available on the DSTA's website: http://www.dsta.nl/english/Subjects/Risk_management.

Figure 2.4 – The redemption profile of the benchmark portfolio in € bln

2.4a Ultimo 2012



2.4b Ultimo 2013



The risk framework in practice

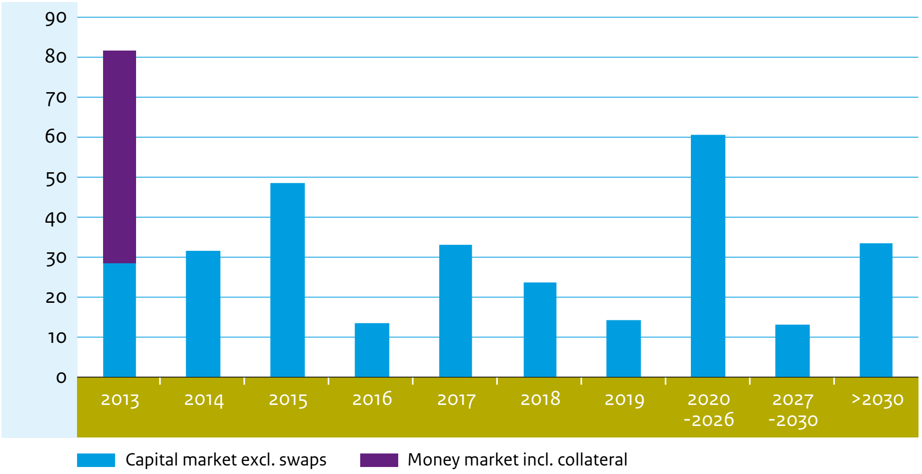
The benchmark prescribes exactly what the DSTA should do in theory, namely to constantly issue 7-year bonds. However, the DSTA issues irregularly – in general every 2 weeks – and in different maturities, ranging from 3 to 30 years. The DSTA therefore uses interest rate swaps to align the interest rate risk profile that follows from the issuance of debt with the interest risk profile of the benchmark. In this way, the DSTA separates its issuance and funding policy from its risk management policy. Simply put, all bonds are swapped back to a floating rate with a receiver swap immediately following their issuance, while the entire debt is swapped to the 7-year rate by transacting payer swaps on a daily basis.

Figure 2.5 depicts the result of this strategy. The first graph (2.5a) shows the redemption profile of the national debt ultimo 2012. Figure 2.5b shows the maturity profile of the swap portfolio. Added together, the two graphs lead to the risk profile given in figure 2.5c. This figure more or less resembles the risk profile of the benchmark, the left-hand figure above. On closer inspection, figure 2.5c reveals some deviations from the benchmark. These are mainly found in the 2019-bucket and the period after 2030. These deviations are the result of a new policy that was introduced in 2012.

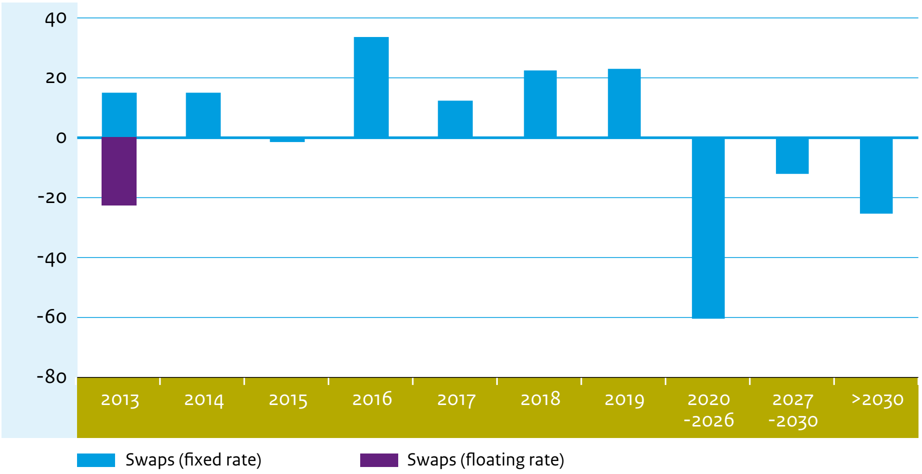
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Figure 2.5 – The redemption profile of the state debt and swap portfolio ultimo 2012 in € bln

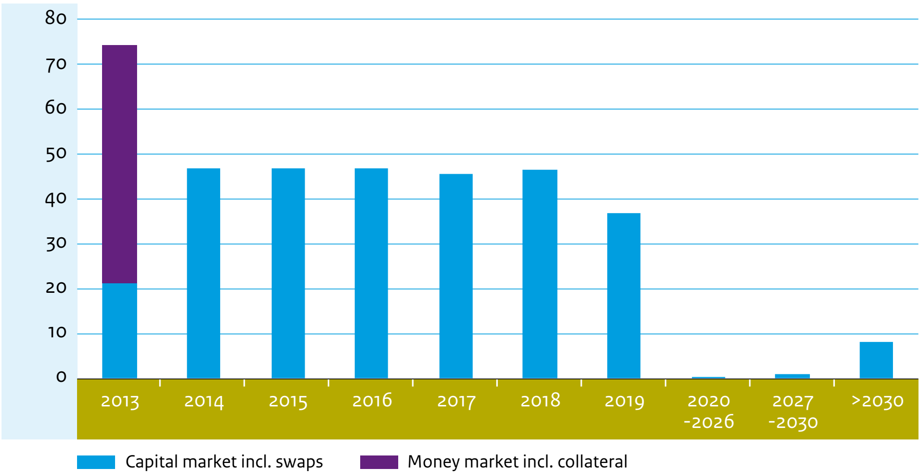
2.5a The redemption profile of the central government debt ultimo 2012



2.5b The redemption profile of the swap portfolio ultimo 2012



2.5c The risk profile of the entire portfolio ultimo 2012: central government debt and swaps



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Deviations from the benchmark

Since 2012, the DSTA has the option to deviate from the benchmark, by not swapping all bonds it issues to a 7-year interest rate, and hence accepting the interest rate risk associated with the maturity in which the debt is issued. The policy was developed in light of the extremely low interest rates prevailing at the time, which led to a situation of asymmetric interest rate risk (i.e. the scope for further decreases in rates was far smaller than possible increases). It was considered attractive to pay a little extra compared to the 7-year interest rate by not swapping issuances exceeding the 10-year maturity back to the 7-year maturity, in order to hedge the risk of setbacks in interest costs in later years and to decrease budgetary volatility in the longer run.

To ensure that this new policy does not interfere with the budgetary goals set by the government and to make sure that deviations do not undermine the risk framework, it was determined in 2012 that at least two conditions must be met before deviating from the benchmark:

- deviations may not result in an increased interest rate risk to the budget, implying that only deviations extending the average maturity of the portfolio are allowed;
- deviations must fit within the budget, meaning that interest costs will not exceed earlier budgetary estimates as a result of deviations.

Result of deviating from the benchmark

The DSTA reports to parliament on its performance vis-à-vis the benchmark on an annual basis. It does so by comparing the costs of the actual portfolio to those of the benchmark portfolio. The total costs of the benchmark were € 13,050 million in 2012, while the total costs of the actual portfolio were € 12,929 million. Hence, the actual costs were € 121 million below the costs in the benchmark. In other words: the performance vis-à-vis the benchmark was positive in 2012. It must be noted that the concept of costs in performance measurement is different from the interest costs as defined in the budget (the realised result).[3]

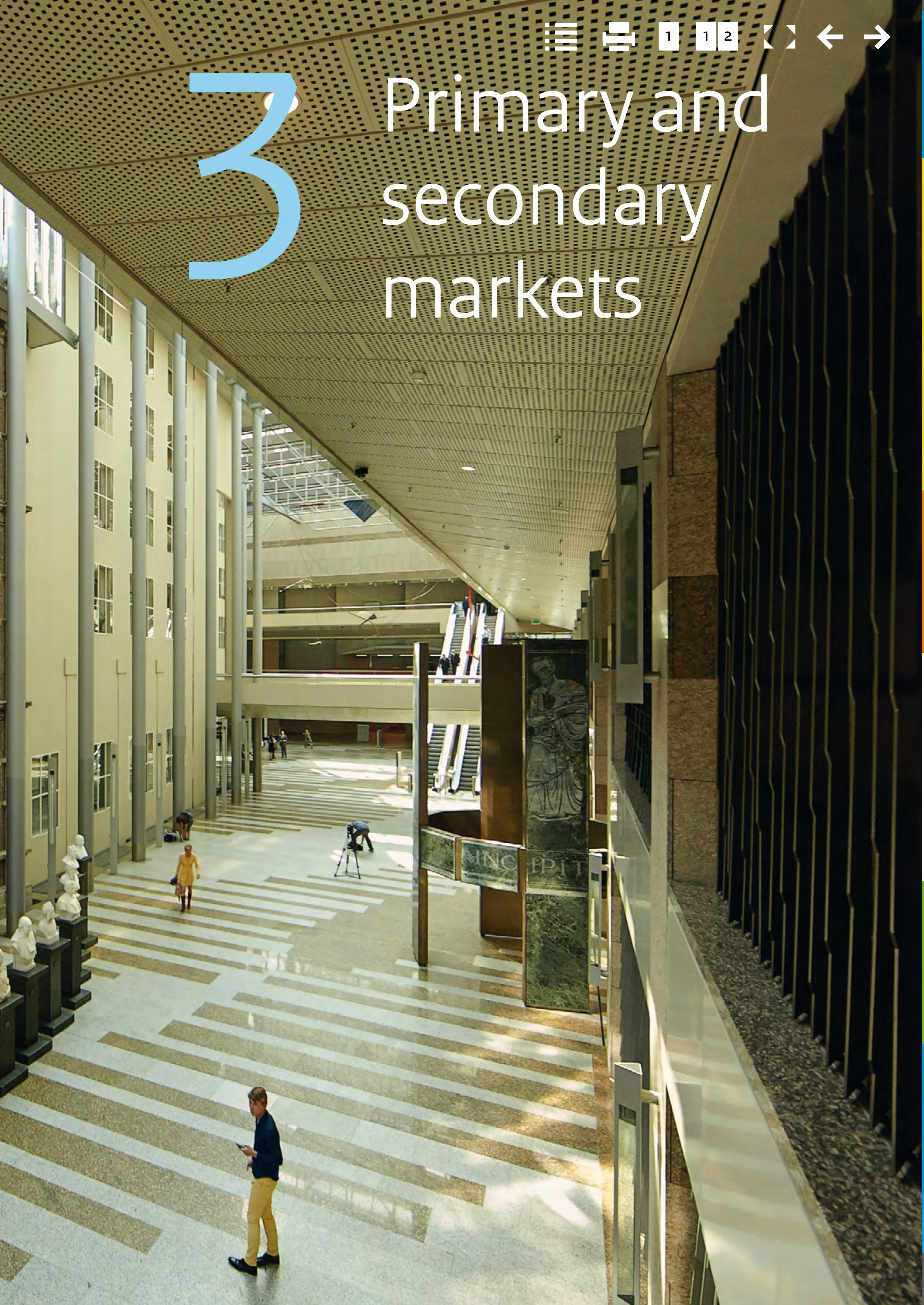
In 2012, the first year in which deviations were allowed, the DSTA deviated from its benchmark on five occasions, resulting in deviations from the benchmark's risk profile. For instance, in 2012, debt issued in the 20-year DSL was not swapped back to the 7-year point. The DSTA opted to retain the interest rate risk associated with this maturity, rather than to swap it to the shorter maturity. For part of the national debt the interest rate is thus fixed for a period longer than seven years. As a result, part of the redemptions that would – according to the benchmark – fall in 2019 have in reality been transferred to the period after 2030. The interest rate risk of the actual portfolio is thus lower than the risk prescribed by the benchmark. However, lower risk generally implies higher costs. The price that was paid in 2012 for lowering the interest rate risk by deviating from the benchmark was € 405 million. Without deviations from the benchmark, the result vis-à-vis the benchmark would have been € 526 million instead of € 121 million. The difference can be seen as the price that was paid for risk reduction, or as a premium for an insurance against rising interest rates.

Deviations over the course of 2013 will be reported in the Annual Report on the National Debt in May 2014.

3 The unrealised result (i.e. change in market value) needs to be considered as well in order to prevent a situation where the debt manager keeps deferring unrealised losses so as to beat the benchmark in terms of realised results.



3 Primary and secondary markets



3.1

Looking back: Primary Dealers and Single Market Specialists in 2013

Every year, the DSTA appoints Primary Dealers (PDs) to promote and distribute DSLs and DTCs, and to contribute to the secondary market liquidity of Dutch sovereign securities. Single Market Specialists (SMSs) fulfill a similar task exclusively for DTCs. DSLs are sold to PDs through tap auctions held by the DSTA. New benchmark issuances with a maturity of five years or more are sold directly to end-investors by means of the Dutch Direct Auction (DDA), with the Primary Dealers acting as intermediaries. DTCs are distributed to both PDs and SMSs through regular single-price (Dutch) auctions.

Being a PD entails both rights and obligations. PDs have the exclusive right to buy DSLs in tap auctions from the DSTA. Furthermore, they are entitled to use the DSTA's repo facility, which is available for both DSLs and DTCs. PDs may also strip and reconstitute DSLs with the DSTA if they wish to do so.[4]

Compensation in the DDA for all PDs is settled in the form of fees, the size of which depend in part on the volume of DSLs that a PD is able to place with end-investors. This year, the DSTA has prepared a change to the fee structure, to be effective from 2014 onwards, in order to better incentivise PDs to contribute optimally to the DSTA's goals for the DDA, which are twofold: firstly to engage a broad investor base in the auction, and secondly to auction government debt at the best price possible, which is a price that adequately reflects market circumstances. Furthermore, the DSTA will ask the compliance department of every PD to declare that the selling price of a bond charged to end investors is equal to the final allocation price in the DDA.

In tap auctions, PDs can receive compensation in the form of a non-competitive bid (the so-called 'non-comp option'), which entails the right to buy additional bonds up to three days after a tap auction at the weighted average price of the auction. To qualify for the non-comp, PDs must fulfill their quotation obligations on the secondary market (see section 3.3) and purchase at least three percent of the total nominal amount issued in the relevant tap auction. The maximum amount available for the non-comp is set at 15 percent of the total amount allocated in the auction. In 2013 the total amount issued through the non-comp facility was € 2.57 bln, equal to 5.5 percent of the total DSL issuance.

Prior to every DDA, three PDs are selected to perform the role of DDA advisor, for which they receive an advisory fee. Full details of the rights and obligations of the PDs can be found in the PD contract and conditions, available online at www.dsta.nl/english/subjects/primary_dealers.

Ranking 2013

PDs and SMSs are evaluated periodically with respect to their primary market performance. Since 2012 the performance ranking is based on duration-weighted issuance. The weighting factors and corresponding maturities that were first applied in 2012 will continue to apply in 2014. The top five performers in the DSL and DTC primary markets in 2013 (up to 30 November) are shown below.

Top 5 Primary Dealers for DSLs *January – November 2013*	
1	Rabobank
2	ABN Amro Bank
3	Commerzbank
4	ING Bank
5	HSBC France

Top 5 Primary Dealers and Single Market Specialists for DTCs *January – November 2013*	
1	Commerzbank
2	ING Bank
3	Deutsche Bank
4	Rabobank
5	HSBC France

4 An overview of the amount of every DSL that has been stripped is available on the DSTA's website.

3.2

Primary Dealers and Single Market Specialists in 2014

Primary Dealers (PDs) are selected annually for the upcoming calendar year based on a business plan they submit to the DSTA and their performance in the previous year(s). The appointment is effective for one year, starting on 1 January. Financial institutions interested in becoming a Single Market Specialist (SMS) may apply throughout the year. This open application procedure also applies to Commercial Paper dealers.

The DSTA is proud to present its selection of 15 PDs for 2014:

List Primary Dealers for 2014 *in alphabetical order*	
ABN Amro Bank	Jefferies
Barclays Capital	NATIXIS
Citigroup	Nomura
Commerzbank	Rabobank
Deutsche Bank	Royal Bank of Scotland
Goldman Sachs	Santander GB&M
HSBC France	Société Générale
ING Bank	

In addition to PDs, the DSTA also appoints a number of Single Market Specialists. SMSs have the right to participate in the DTC auctions together with the PDs. Both PDs and SMSs have market-making obligations in the secondary DTC market. Including the 15 PDs, the promotion and distribution of DTCs will be safeguarded by 20 banks, including the SMSs below:

Single Market Specialists for 2014 *in alphabetical order*	
BBVA	DZ Bank
Crédit Agricole	UBS
Credit Suisse	

Commercial Paper Dealers

The DSTA's Commercial Paper (CP) programme allows the DSTA to issue shorter-dated debt to satisfy its short-term funding need in a flexible and cost-efficient manner, without interfering with its DTC programme. Currently, the DSTA issues commercial paper in euros, US dollars, British pounds, Swiss francs and Norwegian kroner. Based on volumes, in 2013 the CP programme has had its most successful year since its introduction in 2007. A total amount of almost € 150 bln has been issued (in euro-equivalent) in the year up to November.

CP is not issued by means of auctions at predetermined dates, but rather on an 'if-needed' basis. Since issuance in broken dates is possible, CP has proven successful in attracting new investors with (temporary) excess liquidity. Indicative prices and maturities can be found on the pages of the DSTA on Bloomberg (DSTA06) and Reuters (DSTA06).

Despite the success of the programme, the DSTA has decided to make some slight alterations to the CP-dealer system. Issuance of CP will continue to take place through a panel of designated dealers, which are responsible for the distribution to the end investors. However, instead of a fixed panel of CP dealers, the DSTA will switch to a system where in principle the dealer group can be rotated on a yearly basis, based on performance, with a maximum of eight dealers. This system will enable the entrance of new parties into the dealer group. To be able to assess the performance of its CP dealers, the DSTA will ask them to complete a questionnaire annually as well as to submit a quarterly overview of investors by investor type and geographical region. Furthermore, the DSTA intends to expand its CP program into a Global CP Program, also including the possibility to settle in DTC. This would broaden the investor base.

The CP dealers for 2014 are listed in the table below:

Commercial Paper dealers for 2014 *in alphabetical order*	
Barclays	ING Bank
Citibank	Rabobank
Commerzbank	Royal Bank of Scotland
Deutsche Bank	UBS

3.3 Liquidity and secondary markets

Promoting the liquidity of Dutch bonds

Dutch State Loans (DSLs) are perceived in the market as some of the most liquid bonds in the euro area. Since promoting the liquidity of its bonds is a key goal for the Dutch State Treasury Agency, its policies are geared towards achieving this goal. For instance, the DSTA ensures that the outstanding amount of new bond issuances in the 3-, 5- and 10 year maturity segments reaches at least € 15 billion within one year of their launch. The DSTA may also reopen bonds after they have reached benchmark size to improve their liquidity, through the so-called off-the-run facility which has been employed since 2009. Launching DSLs with a maturity of five years or longer via a Dutch Direct Auction (DDA) to issue an amount of € 5 or 6 billion during a single auction also supports liquidity immediately upon a bond's issuance. Finally, PDs have access to the DSTA's repo-facility for DSLs and DTCs, and may strip or reconstitute DSLs with the DSTA.

Next to these liquidity-enhancing strategies, the DSTA wants to ensure that tradable prices for DSLs and DTCs are available at all times in the secondary markets. To this end, the DSTA has imposed quotation obligations on its PDs. PDs must quote DSLs within a specified bid-ask spread during a certain numbers of hours per day.[5] The band for the bid-ask spread was traditionally set in terms of a fixed number of basis points, depending on the maturity of the bond, as shown below.

Table 3.1 – Quotation obligations – normal circumstances

	Maximum b/a spread	Minimum quantity
DTCS	4 basis points	€ 10 million
DSLS 1¼ years to 3½ years*	4 cents	€ 10 million
DSLS 3½ years to 6½ years*	5 cents	€ 10 million
DSLS 6½ years to 13½ years*	7 cents	€ 10 million
DSLS 13½ years to 17½ years*	12 cents	€ 10 million
DSLS over 17½ years*	20 cents	€ 10 million

* remaining maturity

Following the start of the financial crisis in 2008, and the ensuing increased volatility and decreased liquidity, the DSTA switched to a so-called 'peer based system' where, if volatility increases significantly above normal levels, the band for the bid-ask spread automatically becomes based on the average price quotes of all PDs. Whenever market conditions return to normal, the standard bands will once again apply. This flexible system allows for somewhat more lenient quotation obligations in times of heightened volatility, without reducing the incentives to quote prices as tight as possible.

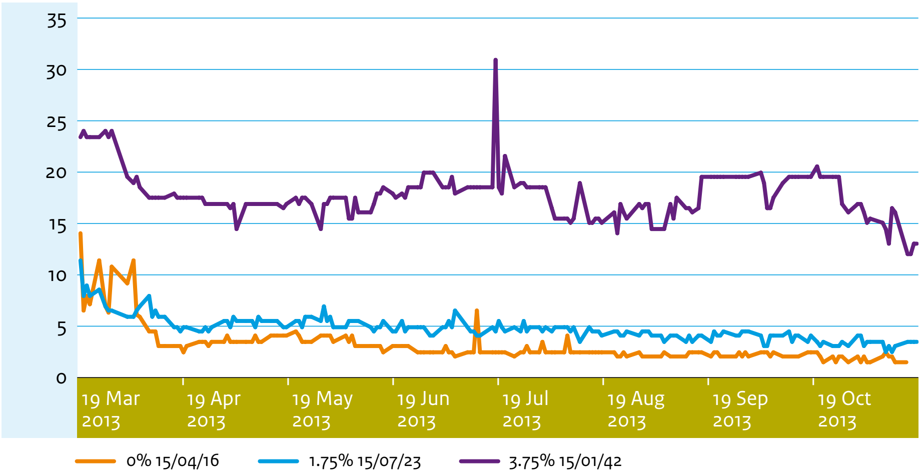
5 PDs can quote on a platform of their choice as long as it qualifies as a designated trading platform (conditions are specified on our our webpage: http://www.dsta.nl/english/Subjects/Multiplatform.

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During 2013, several DSLs have once again been trading within the ranges that were common during more normal (pre-2008) market circumstances, rather than the wider ranges that prevailed during the exceptional circumstances over the last couple of years. That means that, for these bonds, the standard bands for the bid-ask spreads are applied again. PDs may choose to quote even tighter, but do not necessarily have to.

The DSTA is continuously seeking to improve this system in order to ensure sufficient real liquidity and price availability at any time, and frequently consults with its PDs on this topic. Any future amendments of the quotation obligations will be made public on the DSTA's website.

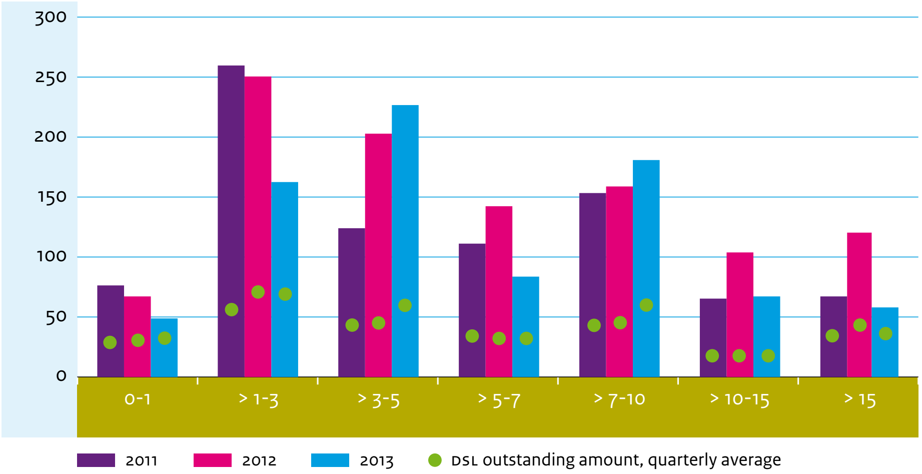
Figure 3.1 – Bid-ask spreads for DSLs of different maturities in cents per € 100



Secondary market transactions

Primary Dealers (PDs) and Single Market Specialists (SMSs) are required to provide the DSTA with monthly information on traded volumes of Dutch securities in the secondary market. This information is submitted according to the harmonised EU reporting format, which allows banks to report to debt managers in the euro area countries in a uniform manner.[6] The data reported by PDs and SMSs do not capture all transactions in DSLs or DTCs, but only the transactions in which a PD or SMS is one side of the transaction. Although the data do not provide a complete picture of the trade in Dutch securities, it nevertheless gives a general view on trends in the secondary market.

Figure 3.2 – Primary Dealer reported DSL turnover 2011-2013 Q3, by remaining maturity in € bln



6 Information on the reporting format and client types can be found on the web page of the European Commission: http://europa.eu/efc/sub_committee/primary_dealer/annexes_en.htm

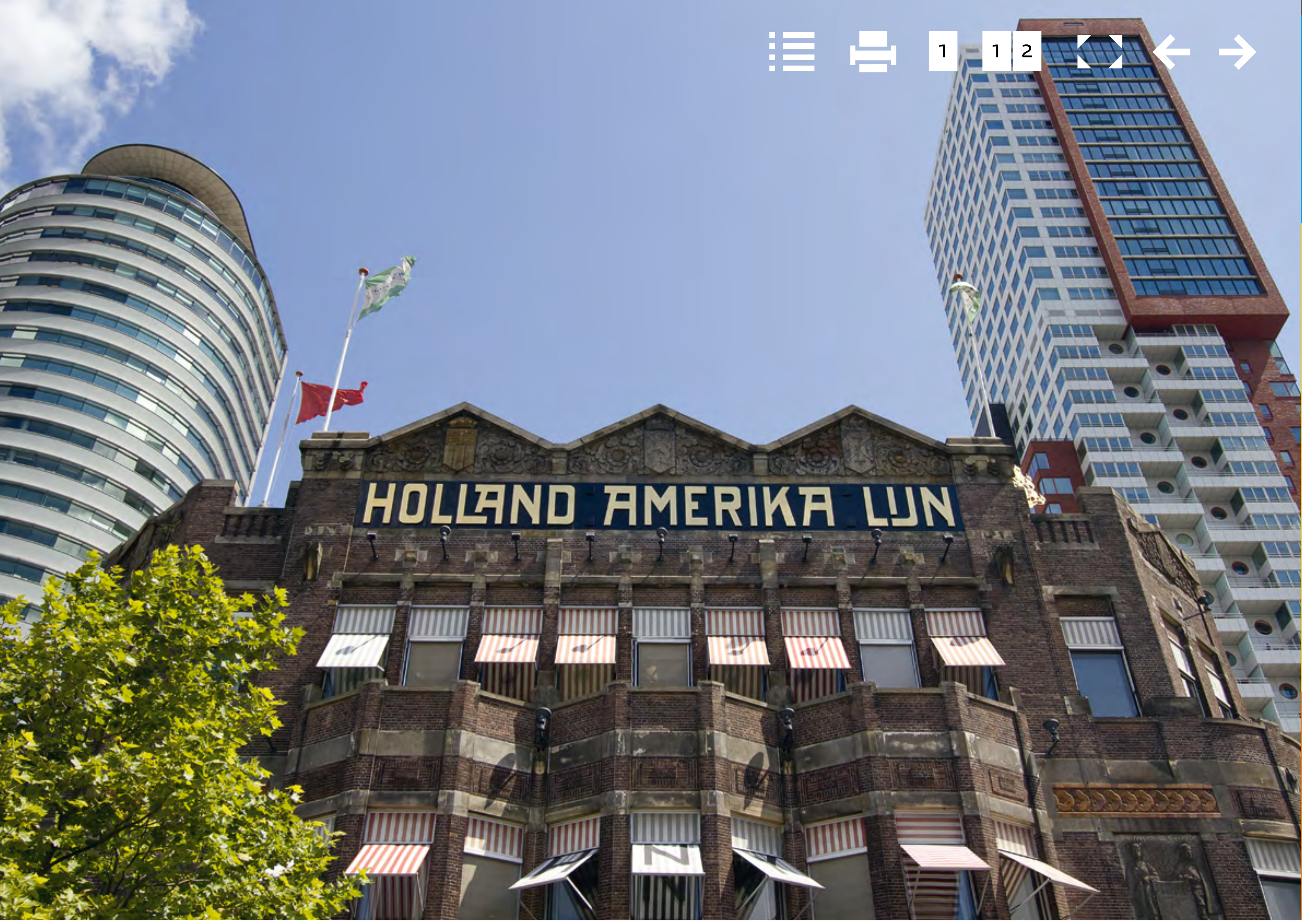
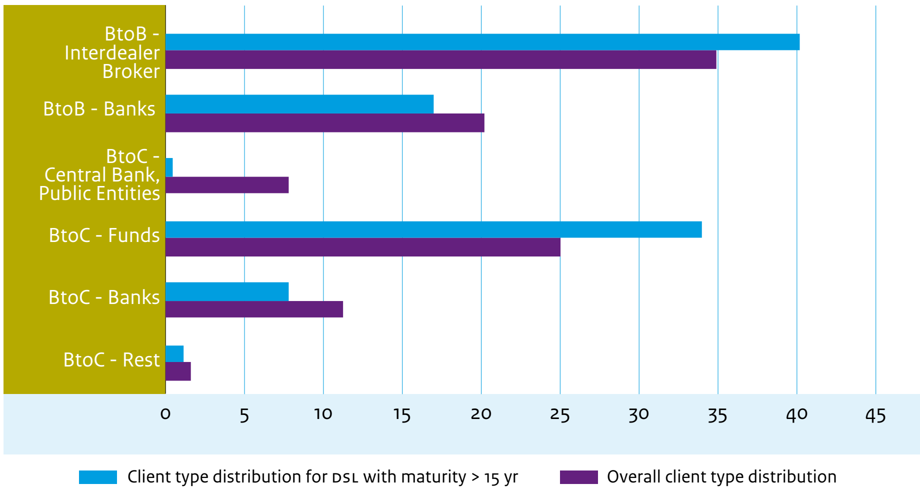


Figure 3.2 shows the turnover of DSLs in the secondary market divided into different remaining maturity categories. The figure also shows the average outstanding amount of DSLs at the end of each quarter in the period shown. Total annual turnover of DSLs (counting only trades involving PDs) is, on average, about 3.5 times the outstanding stock of DSLs. Turnover is generally the highest for DSLs with a remaining maturity of 1 to 5 years or 7 to 10 years, and lowest for bonds that will expire within 12 months.

Figure 3.3 – Primary Dealer-reported turnover 2011-2013 Q3, by client type in % of total



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Figure 3.3 shows the share of different client types in the DSL turnover from 2011 up until 2013-Q3 in the business-to-business (BtoB) and business-to-consumer (BtoC) segments. The graph distinguishes between total DSL turnover and turnover of DSLs with a remaining maturity of 15 years or longer. The business-to-business category comprises transactions by PDs conducted with 'inter dealer brokers' as well as transactions with banks that are also a primary dealer (either for DSTA or for other euro-area DMOs). In the business-to-consumer market, funds are the most active category. This category reflects transactions by PDs with fund managers, pension funds, insurance companies and hedge funds. The breakdown of DSL turnover by counterparty type shows that the most active category of participants in the secondary market is the inter-dealer brokers. Since inter-dealer brokers act as an intermediary between buyer and seller, the type of client that ultimately buys from or sells to the PD in these transactions is unknown. As expected, funds are more active in the market for longer term DSLs, while trades in such DSLs transacted with central banks and public entities are extremely limited.

3.4 Ownership of the Dutch national debt

As the national debt of most countries has significantly increased since 2008, the question 'who holds sovereign debt?' is asked more frequently than before. The increased attention for the ownership patterns of national debt is also reflected in economic literature, for example in recent papers by authors working at the ECB[7] and IMF[8]. Several reasons are cited as to why the composition of the national debt matters. The share of domestic investors, it is argued, is important because in general domestic investors are better informed about domestic developments, and are thus less likely to overreact to certain events by drastically changing their ownership of national debt.

While this line of reasoning argues that high domestic ownership of the national debt is a stabilising factor, the literature generally sees a high degree of ownership by the domestic *banking* sector as a risk factor. Various authors contend that a sharp rise in a country's national debt, to a level where there are concerns about debt sustainability, may undermine confidence in the domestic banks if they hold a large amount of their own national debt. This could engender negative feedback loops between the sovereign and its banking sector. Furthermore, although foreign investors are seen as more fickle than domestic investors, a high share of foreign ownership increases the depth of the total investor base, often resulting in increased liquidity and lower borrowing costs. An increase in foreign ownership could also mean that debt ownership becomes more diversified. If different investors have different risk appetites or trading strategies, a more diversified investor base could increase liquidity. Finally, a more diversified investor base could make the market for sovereign less vulnerable to shocks in demand by in certain investor types.

Payments on Dutch bonds have always been payable to the bearer. Historically, payments were transacted face to face: investors handed over the bond or interest coupon in return for payment by the DSTA. Although there was no central register of ownership, the DSTA could easily identify the investors to which it made payments. Today, interest and debt redemptions are paid out in two or three steps: the DSTA pays to the clearing houses, which in turn pay out the interest or principal either to the bondholders directly or to the banks at which the owner of debt holds an account, with the bank transferring the amounts to the beneficial owner. Since the clearing house acts as an intermediary for the DSTA, the DSTA has no direct information about the ultimate ownership of DSLs or DTCs.

7 *The size and composition of government debt in the Euro area*, ECB occasional paper series no. 132, October 2011.
8 Serkan Arslanalp and Takahiro Tsuda (2012) 'Tracking Global Demand for Advanced Economy Sovereign Debt', IMF Working Paper WP/12/284, Washington, DC.

Although the DSTA does not know to which parties payments on DSLs and DTCs are ultimately made, it does have partial information on buyers of DSLs and on trades in the secondary market. When DSLs are issued through a Dutch direct auction (DDA), the DSTA acts as the sole book runner, and thus the name and location of the end-investor is known to the DSTA (which ensures full confidentiality of this information). In tap-auctions only Primary Dealers (PDs) can purchase DSLs, and the DSTA receives no information about the end-investors. However, PDs report the size, counterparty type and counterparty location of their trades in DSLs to the DSTA on a monthly basis. This partial information from the so-called secondary market trade reports can give a rough approximation of the ownership. However, it is important to recognize that this information covers only those trades in which a PD is one of the counterparties. Trades that do not involve a PD on either side of the transaction remain outside the scope of the report.

Fig 3.4 - DDA allocation and secondary market DSL trades, geographical distribution, % of total

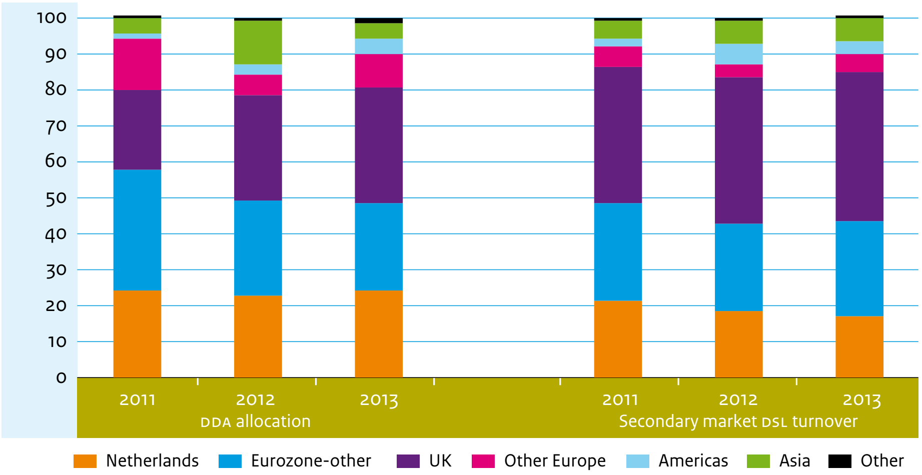
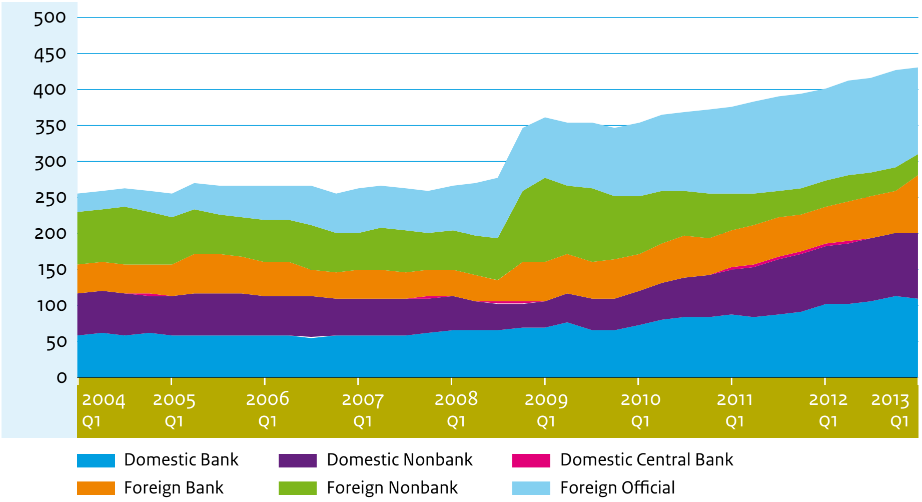


Figure 3.4 shows the geographical distribution of buyers in the DDAs from 2011 to 2013, as well as the geographical distribution of DSLs trades on the secondary market. About half of the buyers in the DDA are located within the euro area, of which 20 percent are located in the Netherlands. A further 20 to 30 percent of buyers are based in the United Kingdom, reflecting the importance of the City of London as a financial center. The share of buyers from the Netherlands has remained quite stable over time, while regions such as Asia show more fluctuations. This may also be related to the specificities of the annual funding plan. The general composition and evolution of the geographical makeup of buyers is broadly similar to the geographical breakdown of secondary market trades of DSLs, as reported by PDs. The share of the United Kingdom is larger when looking at data for secondary market transactions.

While data from purchases of DSLs in DDAs and transactions on the secondary market provides only partial information about transactions in DSLs, it is also interesting to look at the data on the distribution of actual ownership. In the aforementioned IMF Working Paper, authors Arslanalp and Tsuda combine data from the IMF, the ECB, Eurostat, the BIS and the World Bank to create a dataset of debt ownership for many advanced economies. The data computed for the Netherlands is shown in figure 3.5 below.[9]

9 Both the working paper and the dataset can be found on the IMF website.

Figure 3.5 - Holdings of government debt, 2004 - 2013 Q1 in € bln



Source: Sovereign investor base estimates by Arslanalp and Tsuda (2012)

Figure 3.5 shows that the share of domestic ownership of Dutch government debt by both bank and nonbank owners (such as pension funds and asset managers) has remained fairly stable through the years, at around 45 percent of total holdings. The share of foreign nonbank ownership increased sharply but temporally during the second half of 2008. This coincides with the sudden crisis-related increase in government debt. Large government-funded interventions in Dutch financial institutions were mainly funded by short-dated debt instruments (chiefly T-bills and Commercial Paper), which were purchased predominantly by foreign investors seeking safe-haven paper. Another notable development is the steady increase of foreign official holdings of Dutch government debt, which now ammount to approx. 30 percent of the total. This increase has largely replaced the initial rise of foreign nonbank holdings since 2008.

It should be noted that figure 3.5 shows not just central government debt, but holdings of *total* government debt, which includes the debts of local governments. Dutch local governments finance themselves predominantly through bank loans, the vast majority of which are held by Dutch banks. Local government debt has averaged 13 percent of total government debt since 2008. Hence, in all likelihood, borrowing by local governments accounts for a roughly equal share of the reported domestic debt holdings. This would help to square the IMF data with a report by the Dutch Central Bank from May 2013, which stated that 35 percent of DSLs were held by Dutch investors at the end of 2012.[10]

All in all, the available data suggests that over 40 percent of the Dutch government debt and about 35 percent of DSLs are held by domestic investors. This is similar to the average for what Arslanalp and Tsuda have termed the 'low-spread euro area' (Austria, Germany, France, Finland, the Netherlands and Slovenia). This suggests that the rollover risk associated with the idea that foreign investors are a less stable source of demand is about the same for all low-spread euro area countries. However, domestic ownership in these countries is much lower than in traditional reserve countries like the United States, Japan and Switzerland, where it averages 80 percent.[11]

According to the data used by Arslanalp and Tsuda, the share of Dutch debt held specifically by domestic *banks* is also comparable to other low-spread euro area countries. However, holdings of Dutch government debt expressed as a share of domestic banking sector assets are among the lowest of the euro area, reflecting the relatively large size of the Dutch banking sector. This suggests that Dutch banks are relatively less exposed to developments in the market value of Dutch government debt.

10 *Boermans, Houderschap van Europese Staatsobligaties,* Economisch Statistische Berichten, 98(4659), pp. 272.
11 Serkan Arslanalp and Takahiro Tsuda, op.cit. pp 49-53.

Statistical information





1 Interest costs of Central Government debt

The cut-off date for data in the Statistical Appendix is 30 November 2013 (unless otherwise specified)

In millions of euros

	2012	2013	2014
Interest paid			
Interest cost on fixed debt	10,113	9,669	9,153
Interest cost on floating debt (DTC, CP and other short-term borrowing)	199	61	202
Total interest cost	**10,312**	**9,730**	**9,355**
Interest received			
Received interest on fixed debt (net interest received on EURIBOR swaps)*	3	0	106
Received interest on floating debt	223	109	110
Total interest received	**226**	**109**	**216**
Net interest cost	**10,086**	**9,621**	**9,139**
Net interest cost, in % GDP	1.7%	1.6%	1.5%

* including receipts due to prepayments
** Including received interest on the loans to ABN AMRO (Fortis Bank Netherlands)

The results for 2013 are preliminary and based on the 2014 Budget Memorandum (September 2013).
Projections for 2014 are also based on the 2014 Budget Memorandum.

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2 Changes in long-term debt in 2013

In thousands of euros

Position as at 31 December 2012		**303,102,339**
New issues in 2013		
Public bonds	51,472,187	
Private placements	777	
	add	51,472,964

Redemptions in 2013		
Regular redemptions		
Public bonds	28,375,000	
Private placements	247,050	
Early redemptions		
Public bonds	590	
Private placements	0	
	less	28,622,640
Position as at 30 November 2013		**325,952,663**

3 Annual interest payments and repayments of principal, 2013 -2042

In millions of euros, according to the long-term debt position as at 30-11-2013

	Interest payments	Redemptions
30-11-2013 to 31-12-2013	32	19
2014	9,441	32,183
2015	8,707	48,563
2016	7,658	26,308
2017	7,100	33,252
2018	6,001	33,748
2019	5,189	22,012
2020	4,524	15,137
2021	3,991	16,548
2022	3,453	15,336
2023	3,102	29,919
2024	2,047	21
2025	2,045	21
2026	2,044	22
2027	2,042	26
2028	2,040	23
2029	1,323	12
2030	1,322	9
2031	1,321	0
2032	1,321	16
2033	1,320	10,049
2034	1,069	0
2035	1,069	0
2036	1,069	0
2037	1,069	13,187
2038	541	0
2039	541	0
2040	541	0
2041	541	0
2042	541	14,421
total		**310,832**

4 Interest rate swaps

Position as at 30 November 2013, in millions of euros

Bucket (year of maturity)	Net nominal amount	Pay or receive* (net)
2013	1,044	Pay
2014	18,906	Pay
2015	5,297	Pay
2016	25,633	Pay
2017	20,298	Pay
2018	19,722	Pay
2019	18,984	Pay
2020	27,017	Pay
2021	19,775	Receive
2022	21,823	Receive
2023	18,166	Receive
2026	1,610	Receive
2027	8,350	Receive
2028	3,707	Receive
2032	16	Receive
2033	2,208	Receive
2035	6,010	Receive
2036	1,825	Receive
2037	4,445	Receive
2042	10,586	Receive
2055	33	Receive
Net total	**38,347**	**Pay**

* Receiver swaps are swap contracts in which the Dutch State receives a long-term fixed interest rate and pays a short-term floating interest rate.
Payer swaps are swap contracts in which the Dutch State pays a long-term fixed interest rate and receives a short-term floating interest rate.

5 Key figures of individual bonds in 2013

In thousands of euros

	Total 31-12-2012	Issues	Redemptions	Total 30-11-2013	Isin code
1.75 pct DSL 2010 due 15 January 2013	12,392,000		12,392,000		NL0009331461
4.25 pct DSL 2003 due 15 July 2013	15,983,000		15,983,000		NL0000102689
1.00 pct DSL 2011 due 15 January 2014	15,104,000	575,000		15,679,000	NL0009690593
3.75 pct DSL 2004 due 15 July 2014	16,348,846			16,348,846	NL0000102325
2.75 pct DSL 2009 due 15 January 2015	15,488,940			15,488,940	NL0009213651
0.75 pct DSL 2012 due 15 April 2015	15,005,000			15,005,000	NL0010055703
3.25 pct DSL 2005 due 15 July 2015	15,109,765			15,109,765	NL0000102242
0.25 pct DSL USD 2012 due 12 September 2015	2,792,722			2,792,722	XS0749484217
0.00 pct DSL 2013 due 15 April 2016		15,238,000		15,238,000	NL0010364139
4.00 pct DSL 2006 due 15 July 2016	13,311,467			13,311,467	NL0000102283
2.50 pct DSL 2011 due 15 January 2017	15,638,920			15,638,920	NL0009819671
1.00 pct DSL USD 2012 due 24 February 2017	2,511,619			2,511,619	XS0827695361
4.50 pct DSL 2007 due 15 July 2017	14,654,990			14,654,990	NL0006007239
1.25 pct DSL 2012 due 15 January 2018	8,561,425	6,911,000		15,472,425	NL0010200606
4.00 pct DSL 2008 due 15 July 2018	15,081,020			15,081,020	NL0006227316
1.25 pct DSL 2013 due 15 January 2019		7,884,224		7,884,224	NL0010514246
4.00 pct DSL 2009 due 15 July 2019	14,056,398			14,056,398	NL0009086115
3.50 pct DSL 2010 due 15 July 2020	15,069,615			15,069,615	NL0009348242
3.25 pct DSL 2011 due 15 July 2021	15,493,985	1,000,000		16,493,985	NL0009712470
2.25 pct DSL 2012 due 15 July 2022	15,252,147			15,252,147	NL0010060257
3.75 pct DSL 2006 due 15 January 2023*	10,627,450	104,000		10,731,450	NL0000102275
7.50 pct DSL 1993 due 15 January 2023*	3,442,039		104,000	3,338,039	NL0000102077
1.75 pct DSL 2013 due 15 July 2023		15,533,963		15,533,963	NL0010418810
5.50 pct DSL 1998 due 15 January 2028	13,028,814			13,028,814	NL0000102317
2.50 pct DSL 2012 due 15 January 2033	8,013,900	2,035,000		10,048,900	NL0010071189
4.00 pct DSL 2005 due 15 January 2037	13,187,427			13,187,427	NL0000102234
3.75 pct DSL 2010 due 15 January 2042	12,125,910	2,295,000		14,420,910	NL0009446418
2½ pct Grootboek	16,911		540	16,371	NL0000006286
3½ pct Grootboek	299		50	249	NL0000002707
3 pct Grootboek	6,492		254	6,238	NL0000004802
	298,305,102	**51,576,187**	**28,479,844**	**319,001,445**	

* These changes are the result of the conversion of the 3.75% to the 7.5% bond.

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6 Short-term debt and eonia swaps in 2013

In millions of euros

Key figures of T-bills	Total	Issues	Expirations	Total	ISIN-code
	31-12-2012			30-11-2013	
DTC 2013-01-31	4,780	-	4,780	-	NL0010200341
DTC 2013-02-28	4,860	-	4,860	-	NL0010228938
DTC 2013-03-28	3,230	2,830	6,060	-	NL0010244349
DTC 2013-04-29	2,110	5,070	7,180	-	NL0010278354
DTC 2013-05-31	2,280	4,090	6,370	-	NL0010278958
DTC 2013-06-28	3,290	3,550	6,840	-	NL0010220794
DTC 2013-07-31	-	3,760	3,760	-	NL0010389433
DTC 2013-08-30	-	4,040	4,040	-	NL0010391082
DTC 2013-09-30	-	5,450	5,450	-	NL0010396438
DTC 2013-10-31	-	5,620	5,620	-	NL0010436739
DTC 2013-11-29	-	5,460	5,460	-	NL0010436580
DTC 2013-12-30	-	6,180	-	6,180	NL0010364121
DTC 2014-01-31	-	5,430	-	5,430	NL0010511028
DTC 2014-02-28	-	3,590	-	3,590	NL0010556601
DTC 2014-03-31	-	2,430	-	2,430	NL0010558862
DTC 2014-04-29	-	2,900	-	2,900	NL0010605150
DTC 2014-05-30	-	1,520	-	1,520	NL0010610283
DTC 2014-06-30	-	2,510	-	2,510	NL0010524427
	20,550	**64,430**	**60,420**	**24,560**	

Commercial paper	Total	Issues	Expirations	Total
	31-12-2012			30-11-2013
ECP EUR	-	29,345	29,345	-
ECP USD	11,798	113,433	122,143	3,089
ECP GBP	628	20,564	20,807	385
ECP CHF	-	699	699	-
ECP NOK	-	1,340	895	445
	12,426	**165,381**	**173,888**	**3,918**

Other short-term debt (mainly deposits)	Total	Issues	Expirations	Total
	31-12-2012			30-11-2013
borrow	4,922	305,740	308,819	1,842
lend	-	54,070	54,070	-
	4,922	**251,670**	**254,749**	**1,842**

Eonia swaps (position as at 30 November 2013)		
Bucket (year of maturity)	net nominal amount	pay or receive (net)
2013	650	Receive
2014	975	Receive
	1,625	**Receive**


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THE WAY I SEE IT
1 JUNI T/M 17 NOVEMBER 2013
DANS OP DE VULKAAN
KUNST EN LEVEN IN DE REPUBLIEK VAN WEIMAR
1 JUNI T/M 15 SEPTEMBER 2013
JEROEN KRABBÉ
DUM VIVIMUS VIVAMUS
1 JUNI T/M 17 NOVEMBER 2013
VAN TURNER TOT APPEL
TOPSTUKKEN UIT EIGEN COLLECTIE
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Photo locations



1 Museum ‘Het Mauritshuis’ and the houses of parliament with the skyline of The Hague in the background (cover)



2 Peace Palace, The Hague (p. 6-7)



3 Modern buildings inspired by Dutch canal houses from the 17th century, IJburg, Amsterdam (p. 12-13)



4 Houses of parliament and skyline of The Hague (p. 4)



5 The Inntel Hotel, Zaandam (p. 17)



6 Canal houses, Java Island, Amsterdam (p. 28)



7 Headquarters of Unilever on the Maas river, Rotterdam (p. 22-23)



8 Parliament building, The Hague (p. 36-37)



9 Building of the former Holland-America Line, Rotterdam (p. 42)



10 Modern and old windmills, Eemshaven (p. 46-47)



11 Museum ‘De Fundatie’, Zwolle (p. 54-55)



12 Museum NEMO, Amsterdam (back cover)



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The cut-off date for data in the Outlook 2014 is
30 November 2013, unless otherwise specified

Colophon
Design Studio Tint, The Hague
Photography Nationale Beeldbank and Hollandse Hoogte (page 36 and back cover)

13 December 2013

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Highlights of the DSTA Outlook 2014

- Targeted capital market funding in 2014: approx. € 50 bln
- DSL auction dates: second and fourth Tuesday of the month
- Four new DSLs in 2014: 3-year, 5-year, 10-year and 30-year
- Joint window for 10-year and 30-year DDA: February - April
- Window for new 5-year DDA: September/October
- On-the-run 5-year DSL: three reopenings in 2014 to reach target volume of at least € 15 bln
- Off-the-run facility continued in 2014: two auctions in January and June
- Expected money market volume at year's end 2014 (incl. collateral): approx. € 44 bln
- DTC auction dates: first and third Monday of every month; two programmes per auction
- Commercial paper is Euros, US dollars, British pounds, Swiss francs and Norwegian kroner; maturities up to 1 year
- The DSTA may decide to issue a USD Dutch State Bond in the future if market circumstances offer favourable terms for its issuance and if there is sufficient funding need
- The borrowing requirement and funding plan will be updated on a regular basis
- Quarterly issuance calendars will be published in March, June, September and December

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